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KATO has no special views on labor problems, but his willingness to listen to others, and his enthusiasm are his fortes as president. He blunders occasionally because of his single-mindedness, which he illustrated the other day in persistently demanding the prompt revision of labor laws and regulations at a general meeting of the Japan League of Management Organizations.

KATO is capably assisted by a strategist, WASHIO Shunzo, vice-president, who seems to be able to either abet or restrain the president, according to the situation.

WASHIO finished law school at Kyoto University, and has served as chief secretary to TERADA Jinkichi and as vice-president of the Osaka Chamber of Commerce and Industry. His brilliant mind is greatly respected in industrial circles.

Washio Holds Conference to Improve Council

It was WASHIO who managed to hold the KATO-KANEMASA conference in an effort to improve the Kansai Industrial Rehabilitation Council.

Vice-presidents SUZUKI and TEZUKA are presidents, respectively, of the Kyoto and Hyogo Management Associations.

The rightist or "tough" elements are OTAGAKI Shiro, president of the Keihanshin Express Co.; OTANI Kazuo, managing director of the Nisshin Chemical Co.; and KOBATA Shoji, managing director of the Nippon Cotton Spinning Co., who are standing committee members, and GOSHIMA Hiroshi, president of the Kansai Power Distribution Co., financial committee member.

The business bureau, which is the association's brain trust, consists of AONUMA Shiro, of the economics department of Tokyo University, who is chief of the bureau; KAKUHI Kyoichi, of the special department at Hosei University, who is vice-chief; OKADA Masaichi, chief of the general affairs department; TSUDA Shinichi, of the department of association affairs; and the investigation department, concurrently headed by the vice-chief.

With the completion of its personnel line-up, the Kansai Management Association is gradually assuming normal activities, much to the expectation of entrepreneurs. The one missing element is the group of YUASA Yuichi, president of the Yuasa Battery Co., who is said to be a new face in Kansai business circles.

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ITEM 4 Most Restricted Concerns to be Freed Soon - Asahi - 27 Oct 48. Translator: G. Nagatani. (TK)

10.1

Full Translation:

Much of the restrictions imposed by the three-year-old Restricted Companies Ordinance (SEIGEN KAISHA REI) and the Security Holdings Restriction Ordinance (SHOKEN HOYU SEIGEN REI) is expected to be lifted in a few days when the Government intends to announce sweeping alleviations in the two imperial ordinances.

The ordinances, decreed in November 1945 to serve as a stopgap measure until the complete dissolution of Zaibatsu concerns, is now not only obviated by the rapid progress of democratization but is also impeding the induction of foreign capital.

Officials of the Finance Ministry believe that unless something unforeseen occurs, either the number of restricted companies will be cut from the present 1,197 to a few dozen or the ordinance itself will be repealed entirely. At the same time, officials believe, the ordinance on security holdings will also be fundamentally amended in line with the alleviation of the Anti-monopoly Law.

The restricted companies consist largely of the most influential and major concerns in JAPAN, which form the backbone of the Nation's industry. Their liberation is expected to contribute immeasurably to the reconstruction of JAPAN's economy. In addition, this proposed alleviation of the restrictive ordinances will help restore JAPAN's economy to normalcy, together with the eased Anti-monopoly Law, the revised application of the Anti-excessive Economic Concentration Law, and the Business Reorganization and Readjustment Law expected to be completed this year. These measures will also help set the stage for the induction of foreign credits through a single exchange rate.

Finance Ministry officials point out the following as reasons for the extensive lifting of restrictions:

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(1) Since the inauguration of the Holding Companies Liquidation Commission in August 1946, many Zaibatsu companies have been liquidated. Furthermore, it is clear that the HCLC can enforce strict supervision over company activities through the shareholder's right of vote as well as through other legal means within their authority.

(2) Since the enactment of the Company Accounts Emergency Measures Law (KAISHA KEIRI OKYU SOCHI HO) (August 1946) and the Business Reorganization and Readjustment Law (October 1946), complete supervision over the accounts of the restricted companies is possible through the strict application of the regulations.

(3) Any future rebirth of Zaibatsu interests can be easily prevented by the enforcement of the Anti-Excessive Economic Concentration Law (December 1946) and the Anti Monopoly Law (April 1946).

Two other factors which hastened the lifting of restrictions are:

(1) The recent proposal to soften the Anti-monopoly Law and encourage foreign investment would not prove effective since most of the companies concerned with foreign investments are restricted companies.

(2) With the Business Reorganization and Readjustment expected to be completed this year, the two imperial ordinances in question would be the only obstacles to an otherwise clear road to economic reconstruction in general.

The Restricted Company Ordinance was enacted in compliance with the Potsdam Declaration to guard against dispersal of the Zaibatsu properties by placing them under the strict control of the Finance Ministry and requiring all Zaibatsu companies and affiliations to obtain previous permission before selling, removing, increasing, or decreasing the capital, or embarking on new enterprises. The number of companies thus affected at the end of August totaled 1,197 including 71 affiliated companies. The sum total of their capital comprises one half of the entire capital of all companies in JAPAN.

The Security Holdings Restriction Ordinance, enacted under the same principle as the Anti-monopoly Law, is merely a stricter application of the latter. The Ordinance prohibits one man from holding concurrently directorships in both a Zaibatsu company and in an affiliated industry, and Zaibatsu companies from holding the shares of affiliated companies.

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5 Auto Industry Placed Under Five-Year Program - Kogyo Shimbun - 28 Oct 48. Translator: H. Suzumura. (RL)

1/0.1

Full Translation:

Plans for developing the automobile industry as an important part of the five-year economic program was drafted by the Commerce-Industry Ministry at a ministerial conference on 22 October.

The ministry's action came, after careful investigations, in answer to demands for a fundamental program on the present and future of the automobile industry since the maintenance and development of this industry is of vital importance to JAPAN.

The basic measures drafted for the automobile industry are as follows:

1. New demands for automobile transportation based on the five-year, economic reconstruction plan will be met by an increase in domestic automobile production.

2. Automobiles will not be imported for the present in view of the foreign conditions of production, trade funds, and the low cost of

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home-made automobiles. Since government released automobiles consume too much fuel and are difficult to provide with repair parts, certain conditions will be attached to their prices and usages.

Exportation of Cars to be Encouraged

3. Exportation of automobiles and parts will be greatly encouraged, with markets in East ASIA as the principal aim.

4. Official prices of automobiles will be revised to meet changes in actual circumstances, and will be abolished when conditions warrant.

5. Control on the distribution of automobiles will be alleviated gradually. Controls will not be imposed on automobiles other than ordinary ones. Ordinary automobiles will be controlled according to the conditions of the market.

For example, the purchaser designation system based on Article 16 of the Regulations for Material Allotment for Designated Production will be applied as circumstances permit.

6. Concrete measures for the construction of all kinds of automobiles are as follows:

(a) Chassis of ordinary trucks and busses: Plans for these are not inferior to new foreign models. Therefore, no large-scale changes will be made in the production system, but alterations and repairs of facilities will be made rapidly by importing considerable numbers of machines, in order to improve quality and capacity.

Domestic automobiles are much cheaper than the estimated prices of imported, American-made automobiles. It is necessary not only to lower production costs to meet future demands, but also to send mechanics to EUROPE and AMERICA to learn the techniques used in automobile industries throughout the world.

For attainment of the five-year plan, it is unwise to consider enterprise readjustment among such manufacturers as NISSAN, TOYOTA, and Diesel companies.

Rationalization of Management to be Perfected

Rationalization of the management of all manufacturers will be perfected. For this purpose, the introduction of mass production would be the most effective.

(b) Midget motor cars.

New equipment will be supplied immediately for the production of small trucks and automobiles in order to meet demands of the market and to open a new phase in the automobile industry.

Requests will be made to lift the present annual production limit of 300 midget automobiles (with a cylinder of less than 1,500 cc) in order to meet the demands for superiod taxies and automobiles for private use.

(c) Large motor cars will be converted to diesel engines as much as possible in view of the fuel situation.

(d) Since midget, three-wheeled automobiles and electric motor cars are suited to JAPAN as far as roads and fuel are concerned, their production will be promoted as much as possible.

(e) Production of specially-furnished cars will be increased to promote the transportation capacity of vital commodities.

7. Materials, funds, and labor necessary for the attainment of the production plan of all kinds of vehicles will be insured.

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8. Technical research and examination of motor cars and parts will be strengthened, and at the same time foreign technology will be imported.

9. Increased production of polished steel plates and tires will be particularly stressed in connection with motor car production.

Principal Factories Designated by Ministry

The above provisions are fundamental measures for the motor car industry. The Commerce and Industry Ministry has designated principal factories connected with the motor car industry in accordance with the Commerce and Industry Ministry Designation Regulations.

A motor car planning council of the Commerce and Industry Ministry (SHOKOSHO JIDOSHA TAISAKU KYOGIKAI) will be established in the ministry, centering around the Motor Car Section of the Machinery Bureau, to be established hereafter. This council will vigorously promote the motor car industry.

Note: The total amount of freight to be transported during 1948, decided by the cabinet council, was 260,000,000 kilograms by motor cars, as against 130,000,000 kilograms by train. In 1953, the last year of the five-year plan, motor car transportation is expected to handle 384,000,000 kilograms in freight and 2,623,000,000 kilograms in passengers.

This transportation need can be met only by increasing the production of large and small cars, and by supplementing the projected output of ordinary trucks and busses on the basis of the present equipment.

The elimination of superannuated cars is not sufficiently provided for in this plan, and a perfect and efficient operation of cars cannot be expected. However this may be improved by regulating the amount of exports (one-third of the amount for domestic supply) and improving the speed.

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M 5 Development of Management Organizations (Part I) - Kogyo Shimbun - 24 Oct 48. Translator: H. Sato. (RL)

1101

Full Translation:

The trees of the imperially-donated park of HAMARIKYU forms a background for the barrack-like structure of the Metal Mining Association Hall (KINZOKU KOZAN KAIKAN). This building is shared by the business offices of the Japan Mining Association (NIHON KOGYO KYOKAI), All-Japan Metal Mining Rehabilitation Council (ZENKOKU KINZOKU KOZAN FUKKO KAIGI), and the Mine Proprietors League (KOZAN KEIEISHA REMMEI).

Of the three organizations, the one with the largest staff is the Japan Mining Association, which came into existence through the following complicated process.

The Mining Control Association (KOZAN TOSEIKAI), which had been bent on winning the war even by plundering mines, was dissolved upon defeat like other similar organizations. All mining businessmen entertained great expectations on the restoration of free economy, but conditions did not turn out as they wished.

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Control was still exercised over deteriorated mines, and the repatriation of Chinese and Korean workers added to the slack in labor efficiency. Realities forced businessmen to discard their faint hopes for free economy. Instead, they began to realize that if the mining industry were left to take its own course, the mining business was bound to wither away.

Alarmed, businessmen hastily organized the All-Japan Mining Association (ZENKOKU KOZAN KAI). SUGA Reinosuke, former director of the Coal Board, was instrumental in organizing this association.

Association Forced to Eliminate Wartime Taints

When KORENAGA Tokichi, managing director of the Mitsubishi Mining Co. (MITSUBISHI KOGYO), succeeded SUGA as president, the association was designated as a closed institution and was forced to eliminate the wartime taints carried down from the time of the Control Association.

MITSUMA of the Japan Mining Company (NIHON KOGYO), NISHIGAKI of the Mitsui Mining Company (MITSUI KOZAN), TAKAGAKI of the Mitsubishi Mining Company (MITSUBISHI KOGYO), and FUJITA of the Chugai Mining Company (CHUGAI), after holding repeated conferences, launched the present mining association, with the aim of rehabilitating mines and promoting peacetime industries.

As most of the top officials of mining companies fell under the purge directive, extreme difficulty was encountered in electing executive members of the association. KURUSHIMA, president of the Dowa Mining Co. (DOWA KOGYO) and chairman of the board of directors of the All-Japan Metal Mining Rehabilitation Council, was elected president because of his seniority and genial nature.

At first, MITSUMA and HAYASHI were rumored as prospective managing directors, but they were rejected for internal reasons within the company. By appointing HAYAMI Kannosuke, chief of the Hosokura mine of the Mitsubishi Mining Company, as managing director, the main part of the executive staff was completed on 1 April.

President KURUSHIMA, who is the son-in-law of KURUSHIMA Takehiko, authority on juvenile stories, entered the services of the South Manchurian Railway Co. (MANTETSU) after completing the mining course at Kyushu University. During his stay in MANCHURIA, he was once captured by mounted bandits, and wrote a book describing his experiences.

KURUSHIMA's stubbornness can be seen from the fact that when he was in the service of the South Manchurian Railway Co., he quarreled with KOHIYAMA Naoto, and left the company. After he returned to JAPAN, he was appointed vice-president of the Showa Mining Co. (SHOWA KOGYO), former name of the Dowa Mining Co. (DOWA KOGYO).

Compared with the Japan Mining Co., the Mitsu Mining Co., and the Mitsubishi Mining Co., the Dowa Mining Co. is smaller in scale, but it was through his energy and ability that KURUSHIMA obtained his present position. It is also true that he is a reasonable man, ready to yield to what is right. Perhaps he is confident that he can maintain his present position for some time to come.

Kurushima Believed to be Wielding Firm Grip

At any rate, the consensus of opinion among business circles is that he should secure a firm grip over the three major mining companies. At present, there are various criticisms against the association's activities. For instance, the association is accused of dealing only

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with minor officials, and failing to take drastic measures to accomplish big tasks. The association is urged to work more for the interests of the entire business world.

In handling the problem of prices and also the problem of scrap copper, the association failed to take necessary measures, and incurred the bitter criticism of business circles. These are indications that the association is not as yet functioning soundly.

The association's inactivity, it is said, comes from the inexperience of staff members and the lack of men of ability. Let us take a look at the caliber of the staff at the directors' level.

OKABE Kusuo of the Japan Mining Co. accepted the presidency of the company in February of last year, succeeding former President MIKE, who came under the purge directive. With the two managing directors, MITSUMA and ATSUMO, and Director HAYASHI serving under him as righthand men, OKABE goes by the name of "democratic president" in the company.

Because of his engineering background, he is reported to be lacking in diplomatic ability in some respects. Herein lies the reason why in spite of the dominant position of the Japan Mining Co. in business circles, KURUSHIMA, president of the Dowa Mining Co., had to be appointed as president of the association.

HANI Michiyuki of the Mitsubishi Mining Co. is a graduate of the economics course of Tokyo University, and has been in the service of the Mitsubishi Company from the outset of his business career.

In the past, technical experts and those bred in the business department held predominant roles in the company. The new president, HANI, who succeeded the purged ex-president, KOMURA, is a man from the personnel affairs section. It can therefore be said that the insecurity of his position lies in the fact that his accession to the presidency did not follow the orthodox pattern.

Company's Internal Atmosphere Should Be Cleared

TAKAGI, chief of the Coal Department, is supporting HANI. As it is his task to grow in importance in the business world, his first job is to clear the internal atmosphere of the company.

YAMAKAWA Ryoichi of the Mitsui Mining Co. was raised in the coal mining business and became interested in coal mining. He entrusts everything concerning metal mining to SATO, chief of the Metal Mining Department.

SHINKAI Eiichi of the Furukawa Mining Co. (FURUKAWA KOGYO) is a rare authority in accounting, unusual for a businessman. Aging as he is, he is very tactful. In that respect, TANAKA Sotoji, managing director of the Seika Mining Co. (SEIKA KOGYO), is a brand new face. He graduated from the Commercial College in 1926, and obtained distinction after many of his seniors were purged. He now stands head and shoulders above his fellow men, although his potentialities as a future business leader are still unknown.

NAKAMURA Masao of the Matsuo Mining Co. (MATSUO KOGYO) inherited the presidency from his father. His gentleness runs true to form among men who received the presidency by inheritance. He was in LONDON and NEW YORK for two years, and is the Japanese counterpart of a British gentleman. Although few know it, his wife is the daughter of ABE Isoo. He seldom appears in public, and devotes himself to mountain climbing. In short, he keeps himself aloof from the crowd.

As seen above, most leaders of business circles are new faces. As major mining enterprises formerly were ZAIBATSU concerns, it must be taken into account that they are subject to division in accordance

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with the Anti-Excessive Economic Concentration Law. Herein lies the reason why the metal mining world has not as yet followed a clear-cut pattern.

Critically speaking, each company comprises personnel cliques which are always fomenting trouble, while externally, companies are keeping a sharp lookout to find other company's faults.

Although the association embraces such major mining companies, there are also a variety of smaller enterprises engaged in different types of mining. It is impossible to ascertain the association's true attitude without considering the existence of these smaller enterprises. In other words, the association's true significance rests with the method in which it deals with the discontent harbored by proprietors of smaller enterprises toward those of major enterprises.

Association's Improvement Necessary

HAYAMI Kannosuke, managing director of the association, is a plain-looking man. People say that this very trait, his rustic, schoolmaster-like appearance, indicates his tactfulness. However, such a superficial quality does not matter. His task is to dispel the present charges that the association always falls one step behind the pace of business circles. At any rate, he should use his resourcefulness to push ahead, without paying heed to criticisms leveled against the association.

Mining circles' big task lies in the future. It is hoped that HAYAMI will prove his worth. Staff members on the manager level assisting HAYAMI are KAJIWARA, chief of the Executive Department; TAMURA, chief of the Accounting Department; OKUBO, chief of the Investigation Department; and KAWADA, chief of the Technical Department. This writer feels that they should work openly with each other to tie the association closely to its members.

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ITEM 7 ESB May Recast Economic Rehabilitation Plan - Nihon Keizai - 29 Oct 48. Translator: K. Sato. (DD)

1101

Extracts:

In view of the serious effect which recent developments have exerted upon the projection of the original economic rehabilitation plan, the Economic Rehabilitation Planning Committee yesterday held a conference at the official residence of the ESB Director General to recast the economic rehabilitation plan. As a result, agreement was reached to plug exports and reset the projected 1953 production and standard of living levels at a lower figure, and to this end weave in an austerity program. An over-all subcommittee meeting is scheduled on or about 6 November to restudy statistical details.

The economic rehabilitation plan aims at the realization of the following four major objectives:

1. To establish a favorable balance of trade.
2. To restore the prewar living stand.
3. To boost production level.
4. To enhance productive efficiency of labor.

Of these the hike of production level had been taken up at the conference, as the central theme for establishment of economic independence. However, the following powerful opinions emerged at the conference:

1. The Japanese population will exceed the 86,000,000 mark by January 1953.
2. Since there is a limit to the expansion of domestic food supply, food imports are imperative to supplement the deficit.
3. Although production equipment is adequate, raw materials to be imported for their full operation are restricted.
4. Little can be expected from the GARIOA and EROA funds because of their gradual decrease.
5. Stress must be laid on the promotion of export, since importation is increasing heavily, and exportation decreasing despite the assistance of the Allied Powers in importing necessary raw materials.
6. Because we must expect the GARIOA fund in proportion to exports in the future.
7. To spread a national campaign for promotion of export.

Focal point of discussion at the conference was the promotion of export trade, followed by the problem of the spiralling inflation, but finally it was agreed that for the improvement of export 20 percent raise of the 1953 ore industry production level and the standard of living level set at 140 percent and 100 percent respectively, in the original plan based on the 1934-1939 level, would be inevitable. Moreover, an opinion was raised that the amount of goods imported will have to be cut in accordance with the outlook for export promotion.

It is held likely that the rehabilitation plan will eventually end as an interim rehabilitation plan since the self-sufficiency of the Japanese economy scheduled to be restored to the prewar level in 1953 will be pushed back further in the future.

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ITEM 13 Thorough Democratization of ESB Necessary - Provincial Paper: Sangyo Keizai (Osaka) - 25 Oct 48. Translator: H. Furukawa. (RL)

1107

Summary:

Criticisms against policies of the Economic Stabilization Board have become severe in civilian circles. Those who attack the Economic Stabilization Board seem to believe that the board is the headquarters of bureaucrats, and controls Japanese politics in an arbitrary manner.

Their belief is not groundless, since the former vice-president of the board's Price Bureau has described the deep-rooted bureaucratic tendency among its officials. The time is ripe for the board to be reorganized, particularly since the board must shoulder the task of establishing an over-all plan for the economic rehabilitation of JAPAN.

The Yoshida cabinet has announced that it will pursue policies different from those of the preceding cabinet, such as abolition of the sales tax, reopening of restaurants, and abolition of controls on perishable foods, while concentrating on the importation of foreign capital and on labor problems. The cabinet declared, however, that the five-year economic rehabilitation plan and the 10-point program for economic stabilization, both of which were drafted by the Economic Stabilization Board, would be taken as the basis of the policies of the new cabinet.

It is almost impossible for the new cabinet to carry out its own policy without the consent of the ESB and political parties. The Yoshida cabinet must therefore reorganize the bureaucratic ESB into a people's organ, under the initiative of the Democratic-Liberal Party, and must materialize the cabinet's policies with the aid of the ESB.

We fully recognize the important mission of the ESB, which must establish an over-all plan for JAPAN's economic reconstruction, and we do not consider its 10-point program and five-year plan a mere blue print. However, we must point out the people still do not trust the ESB's policies, and an opinion prevails in financial circles of TOKYO, favoring replacement of the ESB by the Economic Rehabilitation Headquarters. In KANSAI, less importance is attached to the ESB's policies than to those of the Department of Commerce and Industry. Everyone must recognize these regrettable facts.

The reasons for this situation are:

1. ESB officials, who monopolize the nation's statistics, are still bureaucratic in spirit, and overestimate their own ability.

2. The political parties have been unable to criticize ESB policies because of their lack of technical knowledge.

3. ESB policies have been based on statistical figures alone, and are apt to ignore changes in the situation.

4. The appointment of civilians to high posts in the ESB, a policy aiming at democratization, has been proven a failure.

Briefly, the ESB policies, which depend solely on theory and statistics, are not suitable for actual purposes, and do not attract the nation's interest. The Labor Division of ESB, for instance, has advocated the necessity of stabilizing wages, but disclosed no concrete policy on actual labor problems. The Labor Ministry attaches too much importance to labor legislation, and neglects actual labor policies which are of the greatest importance to JAPAN's economic reconstruction.

The Yoshida cabinet must endeavor to correct the defects of the ESB, and, at the same time, make its own policies reflect those of the ESB. If the cabinet patches up the situation by a mere transfer of top-ranking officials, it will only weaken the ties between the Government, the ESB and political parties, and may even lead to the collapse of the Democratic-Liberal cabinet.

The Yoshida cabinet, which advocates party government, should reorganize the ESB into a powerful research institute which will work out policies for the people.

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

ITEM 3 Amalgamation of Industrial Associations - Kogyo -
31 Oct 48. Translator: Seki. (DD)

Summary:

1101

Some time ago we advocated, in this column, the necessity of readjusting and unifying the various industrial organizations. It is too bad that so far this suggestion has not been considered seriously.

There are, however, some industries moving in this direction. For instance, the Federation of Management of the Steel and Iron Industry (Tekko Keieisha Renmei) and the Japan Steel and Iron Industry Association (Nippon Tekkokai) are about to be amalgamated, and in the metal industry as well as in the Automobile industry a merger is now under consideration. In other fields, however, there is little progress.

We advocate the readjustment and unification of the industrial associations because those industries which are struggling against adversity, getting loans from the government to cover their deficits at the expense of the nation, should, first of all, cut their expenditures as far as possible in order to lighten the nation's burden.

From this point of view, we cannot understand why the coal industry, which receives the largest loans from the Government and is always the bottleneck in production increase is not considering this problem seriously.

Some will say that the association's fee is a small negligible item in the expenditure of the industry. But the reduction of the expenditure will never be achieved unless even small items are economized. Furthermore, association fees may be small for one industry but taking all the industries of JAPAN together the aggregated sum will be enormous. Considering that nearly all industries of our country are running their business in deficit, this sum cannot be ignored.

The steel and iron industry, in particular, should pay special attention to this problem because it is connected with many industries and must pay a considerable sum to various associations.

It is said that the merger of the management organization of the metal mining industry and the association thereof is technically difficult on account of the difference of the components of the two bodies. However, the difference of the components does not necessarily make the amalgamation impossible. For example, the management organization can be made a department of labor negotiation in the association.

The contention that the amalgamation of those bodies is technically difficult chiefly comes from sectionalism of those who are connected with them. We sincerely hope that all persons concerned will fully recognize the true situation of the industries in deficit and will show courage and zeal in handling this problem.

If the readjustment and unification of various industrial organizations are effected, it will not only reduce the burden of paying the fees of the respective industry, but will clarify the activities of the organizations and associations and will make it more effective.

In this respect we urge the merger of the top management organizations of our country viz the Japan Industry Association (Nissan-Kyo), Japan Management Federation (Nikkei-Ren) and the Federation of Management Organizations (Keidan-Ren).

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ITEM 1 Industrial Profits Climb, ESB Reveals - Sekai Keizai - 28 Oct 48. Translator: H. Sato. (DD)

110-1

Full Translation:

The questions of business profits and deficit settlement have now been taken up by authorities as ramifications of the recent wage hike demands posed by the power and coal workers.

The ESB observes that although it recognizes unprofitableness in the coal and electric power industries, whose equipment and operation preclude most prospects of production increase, the recent movements in prices and wages indicate the rise of profitability in general industries.

The ESB further asserts that increased production and rationalization of the price policy now in effect are necessary for better business returns. The ESB's view on the profitableness of enterprises, judged through the movements of prices and wages, is as follows:

Prices:

The price revision has brought about a 90 percent boost in official prices, which are now about six times higher than in early 1947. Blackmarket prices, which jumped 2.4 times in the first half of 1947, have only increased 50 to 60 percent during the past year and have remained almost constant during the late months.

Effective prices, similar to blackmarket prices, are being stabilized, and even with the rise resulting from the price revision included are only 3.2 times higher than in early 1947.

Wages:

The average wage in industries rose at a much faster pace than prices and is now about five times that at the beginning of last year. Although the average wage in August was reported as 5,459 yen, the actual figure is believed to be about 7,000 yen.

Compared with the 3,791 yen wage base of government employees, it is at a fairly high level. Consequently, the real wage rose and, in August, it registered a 60 percent increase over that in early 1947. As a result, labor productivity is also rising.

Profitableness of Enterprises

The average wage of industrial employees in August was about five times that in early 1947. However, since industrial production rose 3.1 times during this period, the cost for wages per unit of industrial production rose by only 70 percent.

On the other hand, the effective price of industrial products shot up threefold. This means that commodity prices have risen proportionately. Therefore in terms of wages and commodity price, industrial profits have increased. This tendency has been continuous since January of last year. Industrial profits have increased with the June price revision, which boosted the effective price and this favorable turn is fundamentally due to production recovery, and secondarily due to the revision in official prices.

However, there are exceptions, such as the coal mining and electric industries, in which production increase cannot be expedited due to reasons of equipment and operation. Here, the rise in individual wages will mean a proportionate increase in unit cost and a lapse into deficit operation. There are other industries which suffer similarly. The wage hikes by sound industries directly affect those in a shaky financial state and cause them to operate at a further loss.

Under the existing official price policy, if the price of goods produced by an insolvent enterprise is doubled, the official price of similar goods produced by all other enterprises is also doubled. The present policy wherein prices are raised to match wages must be re-examined.

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ITEM 6 The Problems of Warehouse Enterprises - Provincial Paper: Sangyo Keizai (Osaka) - 31 Oct 48. Translator: H. Konishi. (SS)

110-1

Summary:

The present warehouse shortage in JAPAN is principally due to the stalemate in export trade. The Transportation Ministry is building warehouses in principle ports and cities and new warehouse enterprises have increased recently to about 200 throughout the country. The Transportation Ministry must solve the problems of warehouse enterprises which is an important factor in industrial and trade policies.

First is the problem of Government warehouses. It seems that the Government's reconstruction of warehouses is being enforced with the sole objective of ensuring storing space. The construction of warehouses for the storage of valuable commodities will cost approximately 30,000 yen per TSUBO (TN. One TSUBO = 3.95 sq yds). Consequently, the ensurance of complete, safe storage is extremely doubtful, and the possibility of damage is great. The Government must construct warehouses which will not degrade the prestige of the Government. Furthermore, the management of the warehouses must be under well-experienced and trustworthy persons. Under present social conditions, the warehouses must be state-owned but privately managed.

The second problem is the sudden increase in warehouse enterprises. Considering past examples, we believe that this phenomenon is merely temporary. Of the 600 warehouses in the country, 200 are managed by minor enterprises. Many of these minor enterprises are inferior in technique and have poor facilities because they are not managed under a long-term policy. These inferior warehouses exist because of the inflation. When the currency is stabilized and private trade revived, these inferior warehouses will naturally be forced out of business. Nevertheless, the authorities must not ignore the enterpreneurs for they may cause economic disorder by charging irrational storage fees.

Many of the new warehouse enterprises are far below the stipulated standard. In this sense, the Government must provide assistance to sound enterprises and exterminate the inferior ones after completion of a re-examination of all warehouse enterprises.

Third is the raising of the efficiency of present warehouses. The reenforcement of facilities is almost nil and the ration of substitute materials is inconsistent due to the indifference of the Government. Land and sea transportation is as yet inconsistent. House taxes are increased in proportion to the sturdiness of the buildings.

We do not advocate a special handling of the warehouse enterprises. This problem can be solved by realization and actual enforcement of the authorities. The Government must realize that it is futile to lay stress only on Government warehouses.

Warehouse enterprises are not progressing at present, but the outlook promises a bright future with the enforcement of export promoting policies and the improvement of general conditions. At this juncture, we earnestly request the authorities' tireless endeavors and the re-study of the above problems.

ITEM 8 JFTU and Democratization Leagues Plan Countermovement - Nihon Keizai - 2 Nov 48. Translator: Y. Inouye. (RL)

110-1

Full Translation:

Representatives of more than 10 organizations, including the Japan Federation of Trade Unions and the Democratization League of the National Congress of Industrial Unions, gathered on 31 October at the Yaegaki Dormitory of the Government Railways at OMIYA to discuss the question of a united front.

The representatives decided to carry out a campaign along two policy lines, industrial readjustment and democratization of the JFTU, and development of the Democratization League within the NCIU. The conclusion was reached that in order to develop the movement into a Congress of Labor Unions (tentative name in order to oppose the National Labor Union Liaison Council, these two policies should be combined at a proper time in the future.

A second roundtable conference will be held on 6 November at the Sanseido in order to develop more concrete plans.

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ITEM 2 August General Production Remains Stable - Sekai Keizai - 19 Nov 48. Translator: K. Harasawa. (TK)

Full Translation:

1101

The Commerce-Industry Ministry on 18 November published a brief survey of the production trend in August.

It reveals that, of the total 500 articles surveyed, 300 increased production while the other 200 showed decreases. It is noteworthy that production maintained the previous month's level instead of falling into the usual summer slack. This can be attributed to the super-priority production system which began to take effect in raising the production of living necessities through the steady rise of the power and basic material production.

Apart from the general production increase, August saw a notable change in the direction of production efforts from quantity to quality. This trend can be seen particularly in light metal goods, cast iron goods, and matches.

The outline of production by classified goods is as follows:

Daily Necessities.

Light metal goods made little change except the rice-steamer which made a four per cent increase from the previous month. While most cast-iron goods showed a drastic decrease to nearly one half due to slack demand, the cooking-pot alone went up to 1,270 per cent of the previous month's level.

The 10-per cent decrease in matches is ascribed to the change of the producers' policy from the production of large packets to that of small packets which was made in preparation for the coming free competition. While student supplies such as pencils and crayons, and umbrellas showed comparatively smooth production, sporting goods such as gloves, mitts, and balls suffered a decline from the thin supply of materials.

Oil and Fat Goods.

With the smooth supply of oil and fat material, the soap production rose to 977 tons, or 55 per cent over the previous month's level. The hardened oil and fatty acids also made increases.

Rubber Goods.

Apart from the 60 per cent increase in bicycle tires, all of the automobile tires, rubber-sole TABI, belts, and rubber soles rose to about 120 per cent of the level of the previous month, with outputs of 95,000 automobile tires, 1,370,000 pairs of TABI, 156 tons of belts, and 28 tons of rubber soles. This is attributable to the smooth importation of raw rubber despite a decrease in the allocation of cotton yarn and sheets.

Leather and Hide Goods.

With the importation of materials dropping to 18 tons, or 31 per cent of the previous month, all leather goods except those for industry saw a sharp decline. Shoes and boots were no exceptions, with only 160,000 pairs produced, a decrease of 22 per cent from the 210,000 pairs of the previous month.

Paper and Pulp.

All sorts of pulp, except bleached sulphite pulp, increased and set a new postwar record of 36,920 tons in total. Main causes of this increase are the operation of ten-odd new plants in the second quarter of the year, and the increased operation days of the Tomakomai Mill of the Oji Paper Manufacturing Company. European paper also marked a postwar high with the total production of 51,030,000 pounds, an increase of 2,920,000 pounds from the previous month.

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ITEM 9 Financial Difficulties of Minor Enterprises - Provincial Paper: Ehime Shimbun (Matsuyama) - 9 Nov 48. Translator: H. Arai. (SS)

110-1

Summary:

The financial embarrassment of small and medium enterprises is now entering the decisive stage. It is reported that the national convention of small and medium entrepreneurs on 5 November resolved to launch a strong movement to realize the immediate abolition of the transactions tax, the granting of loans to small and medium enterprises and the simplification of administration for these enterprises.

In order to better the people's understanding of measures to be taken for the reconstruction of minor enterprises on which Japanese economic recovery depends, the problem of minor enterprises shall be considered once again.

When the Yoshida Cabinet was formed, it was strongly rumored that the transactions tax would be abolished. Finance Minister IZUMIYAMA also said at the end of October, that the Government would submit to the coming extraordinary Diet a bill on the revision of the Transactions Tax Law. Moreover, the authorities suggested that a bill for the abolition of the transactions tax was already worked out. It is reported, however, that a Cabinet meeting afterwards decided to defer the revision of the Transactions Tax Law.

Failure of Promise

These are indications that the Government will break a part of its promise on the transactions tax. Frankly speaking, however, the transactions tax is complicated and difficult to collect and exerts a harmful influence upon circulation. It is indeed a bad tax and we stoutly opposed it. Accordingly, from the viewpoint of eliminating unnecessary burdens on small and medium entrepreneurs, the abolition of the tax no longer needs to be argued.

The Government increased the maximum amount of the Industrial Bank's loans for minor enterprises to 150,000,000 yen on 5 November. However, those of the Hypothec Bank and the Commerce-Industry Central Bank, both reaching 100,000,000 yen, were left unredeemed on the grounds that these funds were not fully used. However, it is incorrect to assume that small and medium enterprises are not suffering from financial difficulties simply because the Hypothec Bank and the Commerce-Industry Central Bank have not actually granted-maximum loans to these minor enterprises. What these enterprises want is a system whereby they can readily obtain necessary funds. The existing complicated procedure involved in the granting of loans impedes the utilization of loans from the Hypothec Bank and the Commerce-Industry Bank.

Rationalization of Business Management

In granting such loans, city banks in general including the Reconstruction Finance Bank give vital consideration to the rationalization of business management and the improvement of efficiency in enterprises. This policy of avoiding loans to enterprises which have gloomy prospects is natural and proper. However, they must recognize their mission to simplify the procedure of advancing loans and increase the efficiency of the banking business as a service agency.

The best way to cope with the financial embarrassment is to secure long-term loans from city banks. As there are very few long-term bank deposits, it is very difficult to leave the handling of long-term loans to city banks at present. However, it is well to consider such programs as authorizing city banks to issue public loans and making the Reconstruction Finance Bank a guarantee organ for city banks by increasing the supply of loans on credit and extending the agency system of the Reconstruction Finance Bank to ordinary city banks.

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ITEM 6

September Key Materials Output Favorable - Sekai Keizai - 5 Oct 48. Translator: T. Ukai. (DD)

Full Translation:

Substantial increases were shown in the September production of key materials, an added boost to the August improvement which had defied the expected summer decline, the Commerce-Industry Ministry announced on 4 November. The over-all index figure revealed by the National Economic Research Association (KOKUMIN KEIZAI KENKYU KYOKAI) was 53.1, which surpasses, for the first time, the halfway mark of the prewar production level.

In general, the 120 items surveyed showed satisfactory output compared with goals, and nearly all key items maintained or surpassed the standard of the preceding month.

The reasons for increased production are:

(1) More industrial raw materials were imported, with big increases in petroleum, industrial salt, iron ore, coking ore, wool, hemp, crude tannin, etc.

(2) Transportation bottlenecks were ironed out. Railways transport monthly more than 10,000,000 tons since May.

(3) The power situation improved, thanks to increased coal production and frequent rainfalls.

(4) The revision of official prices worked favorably on enterprise management, though to a limited degree.

However, the suspension of raw cotton and crude rubber imports, stricter controls on loans from the Reconstruction Finance Bank, and the projected restrictions on the power supply in winter and factors which allow no optimism.

Conspicuous among items which dropped in production are unwrought metal (by 77.0 percent), tin, farming implements, absolute alcohol, superphosphates, paraffin, and industrial leather products. Those which increased output are bleached SP rayon (A) by 642 percent, and heavy oil (B), home-made crude oil, bleached SP rayon (B and C), each by more than 100 percent.

The September production indices of key materials as compared with those for 1935-1937 are shown in the following chart:

Chemical pulp	193
Electric power	140
Ammonium sulphate	121
Superphosphates	71
Electrolytic copper	81
Pulp for frameworks	89
Coal	83
Zinc	69
Motors for general use	85
Nitro-lime	57
Gas	77
Plate glass	53
Caustic soda	49
Pig iron	47
Cement	38
Sulphur	27
Ordinary steel	22
Gold	22
Crude oil	37
Rayon & staple fibre	22
Silk yarn	18

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ITEM 7

1101

Reconversion of Factories in Toya (Commentary) - Kita Nihon Shimbun - 7 Nov 48. Translators: K. Harasawa and H. Suzumura. (SS)

Summary:

Small enterprises, forced to produce war materials during the war, are now struggling to fit themselves back into the postwar economic pattern. The following is a glimpse of small enterprises in Toyama Prefecture.

The vast factory of the Fujikoshi Steel Bar Manufacturing Company is being rented by numerous small enterprises ranging from machine parts factories to confectioneries. From the rent of 53 yen per Tsubo (3.95 sq. yds), these tenant factory operators are enjoying various advantages including the supply of power and water.

A foundry at NAMERIKAWA Machi has been closed since the end of August owing to the shortage of funds. Being a subcontracting factory of the Toyama Factory of the Ebara Manufacturing Company, the foundry had been supported both technically and financially by the Ebara Company until the end of August when the latter severed relations on the grounds that both sincerity and high standards of technique were lacking in the former.

Management Liaison Council

Since there is no satisfactory liaison among smaller enterprises in this prefecture TOYAMA Ken, especially between the authorities and smaller enterprises, the Management Liaison Council was established at the beginning of September with YONEDA Motokichiro, head of the Toyama Chamber of Commerce and Industry, as chairman. Although it has achieved some measure of success in maintaining liaison between the Commerce-Industry Ministry and small enterprises so far, fundamental measures for the management of smaller businesses cannot be said to have been established. For example, the exchange of technology and the solution of fund shortages still remain untouched.

Credit Insurance Institution (SHINYO HOSHO KIKAN)

The establishment of this institution is now being effected. It is aimed at helping smaller enterprises which lack credit with banking institutions and suffer from fund shortages. It is to be composed of banking institutions (banks, mutual financing associations and unions), businessmen and local public corporations as its members.

Efficiency Research Institute (NORITSU KENKYU SHO)

Although the Toyama Chamber of Commerce and Industry has been advocating the necessity for establishing this institute for the advancement of technology and efficiency among smaller enterprises, it is not yet set up because of the failure to obtain funds of about 500,000 to 600,000 yen for this purpose.

Enterprise Consultation Office (KIGYO SODANSHO)

The establishment of this office has been proposed by the authorities since last year. It is intended to give advice when requested on legal, economic and technical matters.

Local Council (CHIHO KYOGIKAI)

The Tokai Hokuriku Smaller Business Liaison and Adjustment Local Council will meet on 12 November at NAGOYA in order to carry out liaison and adjustment of the affairs of local offices for the promotion of smaller enterprises. There is a possibility that similar offices will be established in each prefecture.

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ITEM

ECONOMIC

ITEM 7 (Continued)

A chemical factory in TOYAMA Shi recently lost an able clerk who is now obliged to spend all of his time in his own shop because of the complicated business procedure necessitated by the transactions tax. The transactions tax is being cursed and discussed by business proprietors in this district.

Many iron work and foundry operators in this district are eager to convert their factories into spinning and weaving machine factories. This trend was accelerated recently by the government's policy of furnishing funds for the recovery of the spinning and weaving industry in FUKUI and ISHIKAWA Prefectures from the Reconstruction Finance Bank. Incidentally, preparations are being made for the establishment of a Textile Industry Promotion Council.

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ITEM 7 (Continued)

Smaller Business Board

This board, which was established this summer, has not been operating satisfactorily. Since it is aimed at encouraging only the promising among smaller enterprises, it is criticized for ignoring the majority of other small enterprises.

Conclusion

It is an undeniable fact that smaller enterprises are confronted with a crisis. Many measures have been adopted or advocated, but not a single rational one has so far appeared. This is attributed to the absence of a scientific foundation for all of these measures.

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ITEM 7 Ammunition and Firearms Regulations to be Changed - Nihon Keizai - 4 Nov 48. Translator: Y. Sato. (RAN)

1/10/1

Full Translation:

The new post-war situation has made a complete revision of existent ammunition and firearms regulations inevitable. Commerce and Industry Ministry, which took over from the former Home Ministry the administration of these regulations, is now speeding up the draft of new regulations.

Meanwhile, a Council on the Revision of Ammunition Control Regulations, composed of the Japan Ammunition Manufacturers Association, Japan Chemical Industrial Association, and other ammunition manufacturers and dealers, has recently completed a plan for the revision of the ammunition control regulation and submitted its suggestions to the Commerce and Industry Minister. Principal points in the revision may be summed up as follows:

1. The regulation shall be divided into two parts, ammunition and firearm regulations, in view of changes in the extent of jurisdiction resulting from the renunciation of war.

2. The regulations shall be divided into a control ordinance and a control law.

3. Detailed regulations for factories and ammunition magazines shall be drawn up on the basis of standards determined by the technical committee prescribed in the law.

4. Regulations for examinations for factory foremen system and foremen in change of ammunition handlers, and regulations for inspection of import and export and inspection for inferior quality ammunition shall be prepared, revised, or abolished as required by the technical committee.

5. Location of and distances between ammunition factories and magazines shall be changed as necessary for safety. The new regulation shall contain a provision prohibiting the possession of ammunition or firearms.

6. Duties and responsibilities of those engaged in the manufacture, sale, transport and use of firearms and ammunition shall be clearly prescribed, and procedures shall be simplified.

7. The A and B classification of dealers and the regulation stipulating a fixed number of authorized dealers in given areas shall be abolished.

ITEM 2 Recent Increase in Industrial Production Hailed (Sub-Editorial) - Yukan Miyako - 9 Nov 48. Translator: E. Sato. (RL)

1/10/1

Summary:

The October coal output throughout the country reportedly amounted to 2,980,000 tons, establishing the highest record since the surrender.

The production of basic commodities during September has increased to 53 percent of prewar days. As the people's livelihood will become stabilized with the increase in industrial production, we cannot help rejoicing at such reports. The fact that blackmarket prices have recently been declining is also welcome news.

In view of such a favorable turn in the economic situation, we are apt to become optimistic over the future of our livelihood, although no immediate solution is possible. The recent decline in blackmarket prices resulted from the drastic revision of official prices, the stringent money situation, and strengthening of economic control; it is only a passing phenomenon. Wages still remain pegged at a definite level.

The government has reportedly acknowedged the electric workers' wage level of 7,605 yen, fixed by the Densan dispute mediators. It is inevitable that an over-all revision of government and public employees' wages will be carried out in the near future. As a result, the issue of the Bank of Japan notes will increase, and general commodity prices will soar. It can be concluded, therefore, that the only way to stabilize the people's livelihood is to enforce positive steps to increase the efficiency of industrial production so that the people can live on rations alone. We cannot rely upon the government, which is attempting to resort to drastic measures in order to establish free economy.

We are pleased with the recent increase in industrial production, for it will contribute toward stabilizing the people's livelihood.

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ITEM 2 Partitioning of Companies Less than Expected - Sekai Keizai - 4 Nov 48. Translator: K. Harasawa. (DD)

110.1

Full Translation:

It has become clear that the approval of the reorganization and readjustment plans under the Business Reorganization and Readjustment Law will be completed within this year. In this connection, the Finance Ministry, the Commerce-Industry Ministry, and the Bank of Japan foresee that the number of second companies to be established under this law will turn out to be much smaller than originally expected for the following reasons:

1. The relaxation in the enforcement of the Anti-excessive Economic Concentration Law has reduced compulsory divisions of leading companies beyond expectation.

2. This resulted in reducing the number of voluntary divisions of enterprise.

3. Under the present tight situation in the flotation market, capital increase is difficult.

As of the end of October, out of the 661 companies acted upon by the Central Economic Reorganization and Readjustment Commission (CHUO KEIZAI SAIKEN SEIBI IINKAI) only 31, or about five percent, must start second companies; the others may exist as is. The Commission is scheduled to pass judgment on 1,300 companies in all, each with a capital of more than 10 million yen.

The total capital of the above 31 companies, 469,000,000 yen, is also much smaller than the original expectation. In addition, of the 100 companies (included in the 1,300 mentioned above) marked for division under the Anti-excessive Economic Concentration Law, only a few will actually be split.

On the other hand, special management companies with capitals amounting to less than 10,000,000 yen each number about 3,800. The possibility of division for these smaller companies is considered smaller than for major companies, in view of their having suffered comparatively small losses from the war.

Incidentally, the result of the examination of reorganization and readjustment plans by the above-stated commission as of 31 October is as follows:

Number of decisions given, 661; approvals, 627, disapprovals, 31.

Number of companies whose dissolutions are scheduled in their Readjustment Plans, 143; plain dissolution, 108, establishment of second company, 35.

Number of companies to continue existence, 481; continuance of present status, 121, collection of unpaid capital, 28, capital increase, 332.

Collection of capital (unit, 1,000 yen) - collection of unpaid capital, 518,187; capital increase, 4,335,388.

Total capital of second companies (unit 1,000 yen), 469,175.

ITEM 9 Finance Minister Izumiyama to Hold ESB Post - Yomiuri - 9 Nov 48. Translator: A. Kido. (SS)

110.1

Full Translation:

The appointment of former KEIO University Professor NAGATA Kiyoshi as full-time Director-general of the Economic Stabilization Board has now, for various reasons of state, become impossible. For the time being, therefore, the Government has decided to sit back and watch the developments of the situation, with Finance Minister IZUMIYAMA concurrently holding the ESB portfolio.

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ITEM 8 Transfer of Controls to Local Goverrments Speeded - Kogyo Shimbun - 8 Nov 48. Translator: T. Mitsuhashi. (SS)

1101

Full Translation:

The job of allocating production machinery and issuring allocation coupons will be transferred in part to local authorities, the Commerce-Industry Ministry decided at a ministry conference on 5 November. Exercising its rights as the central planning office for smaller enterprises, the Commerce-Industry Ministry had previously decided unofficially to give local governments a considerable volume of the coupon issuing and allocation business and had been co-ordinating opinions within the Ministry.

The agreement reached at the 5 November conference was that the coupon issuing and allocation business, as a rule, will be transferred to local offices, but that jurisdiction over the production and fund programs of designated key industries, such as fertilizer, iron and steel, and textiles, will remain in the central office for the time being. However, it is understood that the central office will handle only essential materials required by these industries, with the rest being transferred as much as possible to local offices.

The Ministry intends to transfer the business at the earliest opportunity. The transfer is expected to be started during the fourth quarter of this year as soon as preparations are made, and completed by the end of the fiscal year at the latest.

Among the machines for general use, for communications, and for textile manufacturing, the details of which were not decided at the 5 November conference, those listed below are unofficially to be transferred to local offices. The transfer of duties must be accompanied by personnel shifts and local offices are complaining that they are too shorthanded to carry out the transferred duties.

1. Industrial machines -- Iron manufacturing machines, forging, and pressing machines, civil engineering machines, iron pipes and bridges, office appliances, printing machines, fire-extinguishers, fire-engines, industrial furnaces, torch lamps, welding cutters, and nebulizers.

2. Farming and fishing machines -- Fishing machines, forestry machines, farm implements for reclamation, food processing machines, food processing machines, oil processing machines, brewing machines, silk processing machines, handsaws, and other farming and fishing tools.

3. Automobiles -- Automobiles and springs.

4. Carriages -- Internal combustion engines for land use.

5. Precision machines -- Mechanical cutlery, lumbering saws, hand-tools, files, general tools, diamond tools, screws, tooth-wheels, test instruments, physical and chemical appliances, and drawing instruments.

6. Casting and forging -- Heat-treatment machines, metal-moulds, joints, and electric wire covering and accessories.

1. Electric machines -- Wiring tools, lighting fixtures, fuse, hand-lamps, battery insulators, pit safety lamps, metal fittings for electric wiring and iron props, electric insulators, repairing tools of standard electric machines, medical electric machines, and motors.

2. Communications machines -- None.

All machines excepting reelers, looms and machines required for the manufacture of chemical fertilizer are included. Machines to be left temporarily in the hands of the central office include: Mining machines, textile machines, fertilizer machines, chemical instruments, sewing machines, farm implements, industrial cars, bicycles, machine tools, hard tools, phonographs, watches, bearings, scales and measures, optical instruments, cast and forged steel, pig iron castings, transformers, dry batteries, electric bulbs, wireless communications apparatuses, radio, and vacuum tubes.

Items other than these are scheduled to be decided at a ministerial conference on 9 November.

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ITEM 16 Fourth Quarter Materials Supply and Demand Program Nearly Completed - Kogyo Shimbun - 10 Nov 46. Translator: Y. Akabane.(UG)

Full Translation:

The vital materials supply and demand program for the fourth quarter which has been drafted by the Economic Stabilization Board is now nearly completed, and the final decision will be made before long after necessary negotiations with related quarters.

Roughly speaking, the basic policy for drafting the program for the previous quarter has been followed in formulating the fourth quarter program. However, because of the fourth quarter being the coldest season, coal distribution has been so arranged that more coal will be diverted to non-industrial purposes than the previous quarter. Therefore, the amount of coal available for industry is set at 2,520,000 tons or about a five percent cut as compared with the previous quarter.

It is especially noteworthy that in consequence iron and steel production will be subjected to a decrease of some 15 percent as compared with the previous quarter.

Moreover, the winter dry season comes during this quarter, bringing about a large-scale decline in water power generation which naturally necessitates making up for a part of the water power supply deficit with thermal power generation. Despite these measures, the total power supply will drop down to 6,990,000,000 kilowatt hours or a decrease of about 1,000,000,000 kilowatt hours as compared with the previous quarter.

This will greatly affect the power supply to big industries, even if the use of hot plates is prohibited, and the maximum supply to these industries will barely reach 2,450,000,000 kilowatt hours a decrease of about 20 percent as compared to the previous quarter.

Such being the case, the output of the fertilizer industry, which consumes a large quantity of electric power, will drop to the 192,000 ton level, representing a decrease of 42,000 tons as compared to the previous quarter.

In the carbide industry, a fatal blow is anticipated with no greater prospects than the production of 55,000 tons.

Although in the production phase all industries will be forced to face business stagnation due to large-scale slashes in the supply of coal and power, bright prospects have been forecast for the supply of vital materials, as it probably may be possible to maintain nearly the same proportion as the previous quarter. Hence, their supply program is almost the same as the previous one.

Iron and steel production is set at 255,000 tons (plus 17,000 tons of drawn iron) or a decrease of about 15 percent as compared to the previous quarter. But in the current quarter, 17,000 tons of returned steel are available from the reserve for special demands, coupled with a decrease of 25,000 tons for export as compared to the previous quarter. Therefore, no obstacles will present themselves in the distribution for home use.

Although some decreases are expected in the production of fertilizer and carbide, there are stocks which were produced during the rainy season, so bright prospects are entertained for their supply. It is expected the quantity will not be affected seriously, probably remaining at a slightly lower level than that of the previous quarter.

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ITEM 6 ESB, Finance Ministry Talk over Supplementary Budget - Nihon Keizai - 6 Nov 48. Translator: M. Okajima. (WM)

110.1

Full Translation:

The Government thrashed out the question of supplementary budget compilation at a conference between the Finance Ministry and the Economic Stabilization Board at the ESB Director-General's official residence at 1400 hours yesterday. No definite agreement, was reached however, and a second session was held on the evening of the same day. Finance Minister IZUMIYAMA attended.

At the afternoon session, the Finance Ministry presented its own tentative plan. Minute investigations of all items covering revenues and expenditures were carried out. However, important questions concerning expenditures such as a basic wage level, price differential subsidies, and public utility expenses were not decided. Opinion varied on the question of raising railway fares, communications rates, electric power rates, charcoal and rationed tobacco prices. Domestic disposal of export goods stocks and reopening of eating houses are still under discussion. ESB authorities are looking forward to the formation of a well-balanced supplementary budget. They have the following points in mind:

1. A price revision which will not have secondary effects.
2. A basic wage level fixed as low as possible.

How these points will be co-ordinated with the plan of the Finance Ministry is yet to be decided at the evening session of the conference and in further negotiations.

ITEM 1 Stalemate in Small Enterprises Should Be Broken - Provincial Paper: Chugoku Shimbun (Hiroshima) - 29 Oct 48. Translator: I. Kuniko. (RL)

110.1

Summary:

At present, when small and medium enterprises are facing financial difficulties due to wage struggles, serious consideration should be given to the future of these enterprises.

In this city (HIROSHIMA), the labor unions of the Fukuya Department Store, the Toa Industrial Company, and the Orion Theater have engaged in wage disputes recently.

Such local labor unions, whose membership number from only 20 to 100, are generally weak, while their members, receiving from 2,500 to 3,800 yen in real wages, are underpaid. Conservative management is more desirous of maintaining the status quo than of developing its enterprise.

Although the unions demand increased wages from 5,000 to 6,000 yen, management takes a negative attitude, giving financial difficulty as the cause for the deadlock.

Low wages and feudalistic or conservative management are characteristics of the small and medium enterprises. Under the present economic stringency, it is a well known fact that many of the minor industries are either being absorbed by major ones or are further diminished in size.

We cannot attribute the present economic conditions to low wages and the fund shortage of management alone, for at present, when positive unemployment countermeasures have not yet been taken, even private entrepreneurs should assume the social responsibility for assuring their employees' livelihood.

If management, paying high labor wages, reaches a stalemate in negotiating with labor, both labor and management should redouble their efforts for industrial rehabilitation.

Judging from the present wage situation in HIROSHIMA it is undeniable that the labor union members are ill-treated. What must be considered is the problem of responsibility on the part of management Since many conservative small and medium entrepreneurs have neglected to fulfill even the Labor Standards Law, it is inevitable that these irresponsible managers, lowering the efficiency of their business, will lead their businesses to destruction.

It is not labor but management which is to blame. If small and medium capitalists assure their employees of a minimum standard of living, we believe that the stalemate will be naturally broken.

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ITEM 8 ESB Price Revision Prognosis Revealed - Nihon Keizai - 5 Nov 48. Translators: Mitsuhashi, Otake and Hemmi. (RL)

Full Translation:

110-1

With the installation of the Yoshida cabinet, the price revision issue has again come to the fore in connection with the compilation of the supplementary budget.

The price trend and the future price policy, now being studied by ESB authorities under the proposed price revision, are as follows:

Enforcement of price revisions in June of this year has caused a sharp increase in wages. Its repercussions recently extended over the coal and electric industries, precipitating the price and wage spiral.

The trend of prices and wages since last January is as follows:

The price revision of all sorts of commodities was practically completed during September, with the result that average prices went up 90 percent. Official prices increased about six times in one and a half years, while blackmarket prices rose slowly to about 2.7 times the former level.

Official Prices Show Increase

Official prices: Official prices showed a 30 to 40 percent increase during the first half of last year, and a 50 percent increase during the following year or so up to the present. This is the result of the approximate doubling of prices in July of last year and of the same increase in June of this year.

Blackmarket prices: Because of the irresponsible financial policy adopted at the end of 1946, and the delayed staple food ration last summer, blackmarket prices sharply advanced about 2.4 times during the early part of last year. However, with the increase of currency halted and the full ration of staple food attained, the pace of blackmarket prices has gradually slowed down, almost to a halt during the past few months, showing a 50 to 60 percent increase in the past year.

Actual consumer prices (prices based upon the living expenses comprising official and blackmarket prices): Actual consumer prices increased about 2.4 times in the early part of last year as a result of the sharp increase in blackmarket prices and the delayed staple food ration.

This increase, despite the considerable hike of official prices, was stemmed with a slackening in the pace of blackmarket prices and the attainment of the full rationing of staple food. As a result, actual consumer prices showed only a 50 to 60 percent increase during about 10 months up to May of this year.

Prices later tended to increase slightly when sugar was substituted for staple food rations and official prices rose substantially. This resulted in an approximate 30 percent increase in prices during the three months from June through August. The upward trend again slowed down in September.

In contrast to this, wages have been climbing steadily. The average wage per person of industrial workers has always shown an upward trend since June of this year, without any halt as in prices. Wages recorded a 40 to 50 percent increase during the three months from June through August, five times the wages at the beginning of this year.

Wage Level Believed to be Around 7,000 Yen

According to the monthly labor statistics compiled by the Labor Ministry, industrial workers' wages averaged 4,872 yen in July, 1948,

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ITEM 8 (Continued)

and 5,459 yen in August. As these figures are estimated at about 30 percent lower than the actual wages, the wage level is believed to have been around 7,000 yen.

Trend of wages: Wages increased by about 60 percent, largely because of the sharp increase of prices in the early part of last year. In August, 1947, wage rises abated somewhat, but not as distinctly as prices. Wages increased by 90 percent from January to June, 1947; 60 percent from July, 1947, to January, 1948; and 65 percent from January to July, 1948, while actual prices increased by 100, 30, and 30 percent.

Real Wages: Indices for real wages are calculated from the nominal wages per industrial worker by deducting taxes and dividing the net income by the actual consumer price index. Read wage indices thus computed are (on the basis of 100 for the period between January and June, 1947) 106 for April to July, 1947; 116 for August, 1947, to March, 1948 (excluding December); 129 for April and May, 1948; and 157 for June to August, 1948, all showing increases.

Real wages showed a 60 percent increase against those at the beginning of last year as a result of the sharp increase in nominal wages and the reductions in the earned income tax after June, 1948. This wage increase in the recent two or three months has, it is believed, resulted from the fact that the ability to pay wages was improved in some industrial branches by the all-out revision of official prices started since June.

The capacity to pay wages increased because official prices were raised along with each raise in industrial wages, without regard for the fact that the increase in industrial workers' individual wages during the 18 months following January, 1947, was not a real raise inasmuch as production had increased. This is proven by the following figures:

The industrial worker's individual wages increased five times during the one and a half year period since January, 1947, but the wage increase in terms of one unit of industrial product was only about 170 percent, since the same number of employees turned out about 3.1 times as much products. Thus, wage rises have been comparatively greater than price rises, and enterprise profits have improved as far as wage payments are concerned. This improved capacity to pay wages, it is believed, caused the recent wage rises.

Future Upward Trend of Prices Given

In spite of the increase in real wages, commodity prices are at a standstill. The reasons are as follows:

1. The increase in real wages does not imply an increase in the purchasing power for consumer goods because a portion of the increased wages merely offsets the decreases in side-job incomes and the losses incurred from selling private belongings.

2. While the real purchasing power has increased, the purchasing power of blackmarketeers, farmers, and fishermen has dropped, with the exception of the laboring class. Whether the vicious price-wage spiral will begin and when, and whether prices will show an upward trend, will depend upon the rate of production decrease during the cold period, the future financial policy, and the increases in purchasing power.

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ITEM 8 (Continued)

It is obvious that the worsening power condition and the decreases in transportation capacity and production incentive will result in a production drop during the winter. Subsequent shortages of consumer goods and increased blackmarket dealings to cover the loss of enterprises will very likely raise commodity prices.

It is believed that a considerable number of firms has not paid additional wages to its employees because of the stringent money situation, in spite of the fact that the managements approved increases in wages for workers through agreement with labor unions. This is one of the factors which held down commodity prices so far.

Decreased Production to Affect Wages

If loans were extended at random to these enterprises, the money would be consumed by wages, and prices would skyrocket. It is predicted that the decreased production in winter will lower the capacity for paying running wages, not to mention the backlog. This will accelerate the skyrocketing of prices by increasing the people's purchasing power.

The increase in farmers' income, deposit withdrawals by the laboring class, and increases in purchases before the year ends will also raise commodity prices.

The upward trend of wages and prices will force the Government to pay increased price differentials to basic industries, thus threatening national finance and revising prices. There is a mounting opinion that the price revision will not be made until March of next year.

The reasons are as follows: (a) There is no absolute need for revising commodity prices for the time being, and (b) At least two months are required to prepare for a price revision.

In the light of the future trend of prices and the past revision of prices, it is generally believed that the price revision will not be effected until two or three months after the start of the next fiscal year.

It can be seen that wages have been raised rapidly since the June price revision. The ESB admits the inaccurate primary cost calculation.

Of the coming revision of official prices, the ESB has decided to make an appropriate yardstick through the compilation of data in order to prevent the same error.

A sudden abolition of subsidies to basic materials, such as coal, iron, steel, and fertilizer, would skyrocket prices, thus imposing a heavy burden on national finance and confusing the economy.

Following the next revision of prices, government subsidies will gradually be decreased. The decreased subsidies will fall on consumers. Even so, if the past complicated official prices are revised, some of this burden can be borne by manufacturing industries. In such a case, it is believed that strong measures must be taken to raise only the price of basic materials and not to boost other prices.

Although the necessity of stabilized wages has been repeatedly emphasized since last May, the inability of cabinets during this time and the unimproving circumstances continually hampered its materialization. The solution of the problem was finally postponed until next spring.

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ITEM 8 (Continued)

Next Price Revisions Being Studied

The ESB and Price Board are now studying the next revision of prices. Specific points now in consideration are the scrutinization of primary cost accounts, reexamination of the government subsidy system, adoption of international quotations, abolition of price control, rationalization of enterprises, wage stabilization policy, and observance of strict discipline by government and public officials.

Even if the wage per worker increases to five times the present wages, the wage per product will be only 1.7 times the present wage because of increased production. In the meantime, the effective price of products will increase to about three times the present prices.

Despite this condition, the official prices have been raised at the same rate as the increase in wage per worker. This example, based upon the accounts of enterprises, shows the relation between wages and prices in the manufacturing industries.

The example does not imply that enterprises, whose profits have been unbalanced in comparison to prewar profits, are now recovering their profits. No one can deny that the overall revision of official prices, on the basis of a simple estimate of operations, has made enterprises profitable and has increased wages. In fact, official prices, if raised in one industry, were raised in all industries regardless of their capacity to increase output.

For example, when prices were doubled in such basic industries as coal and power, which were incapable of effecting a production increase because of limited equipment and scale, that for industries capable of increasing production were also doubled. This gave the erroneous impression that at the time of the price revision last July, the general capacity of industries to pay wages had increased 130 percent.

Wages Raised Since June Price Revision

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ITEM 8 (Continued)

In connection with the subsidy price, the ESB is now seeking some other measure, completely separate from those applied to other industries, to help finance such basic industries as the coal and power industries, which should improve production but cannot do so readily.

At the time of the June price revision, the ESB was attempting to adopt the international quotations, but efforts failed to show any effect in the price revision. The ESB has decided to take a firm attitude to weave international quotations into the coming price revision; since the establishment of an exchange rate is looming.

The problem is to what extent the international quotations will be adopted. It is predicted that official prices cannot suddenly be brought to an international level prior to settlement of the exchange rate.

Abolition of Price Controls Studied

Although unnecessary price controls are gradually being lifted, there are still many cases where official prices are responsible for the production of inferior goods. This is true of the manufacture of watches, where quality does not bring a higher price.

Heretofore, the question of lifting price controls had been approached from the producer's standpoint. However, in the future, decontrol will emphasize improvement of quality through the encouragement of competitive production.

The ESB holds that the degree of success in providing sufficient funds will decide the choice between the two alternatives. The ESB's probable price policies for the respective cases are as follows:

1. Way for sound business:

ESB officials feel that full consideration must be given to the price policy in order to accumulate capital. Before this can be done, however, measures must be taken to stabilize wages to keep them from consuming capital. Measures to supervise enterprise capital accumulation are also necessary.

If depreciation expenses, such as those for maintenance and repair of equipment, are met by increasing prices of products, and if the net gains are not expended in wages, rehabilitation funds will have to be controlled in order to prevent their misuse.

2. Business rationalization:

In case it is impossible to stabilize wages, efforts will be made to place raw material prices as low as possible so that business may enjoy sounder finance.

Although the previous official price revisions were also made for this purpose, results have always been to the contrary. If the next official price revision is also made on this basis, it should prove to be effective to a certain degree.

Wage Stabilization Measures Necessary

Although the necessity of stabilized wages has been repeatedly emphasized since last May, the inability of cabinets during this time and the unimproving circumstances continually hampered its materialization. The solution of the problem was finally postponed until next spring.

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ECONOMIC

ITEM 8 (Continued)

ESB executives have constantly maintained that stabilized economy cannot be expected without stabilized wages. They feel that the next price revision will depend upon to what extent wages are stabilized.

At present, the ESB is hurriedly drafting a new wage stabilization measure to cope with the wage issues of coal, electricity, and public service workers. This measure aims at settling both prices and wages simultaneously by setting a maximum wage proportionate to the new price level, and applying the sliding scale system on a periodical base.

The consensus of opinion is that the next price revision will occur sometime after April of next year, with all the above factors considered. Predictions of its form vary, however, because it will depend upon the success of wage stabilization measures.

ESB authorities have declared that they will not tackle the price problem until the wage measures are effected. The consensus of opinion, however, points to the slimness of the possibility of effecting wage stabilization measures under the current domestic and political situations.

A partial revision of existing prices, with more emphasis on basic materials, will be the most suitable form for the next price revision. Some circles even fear the repetition of an overall revision.

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ITEM 6 Kyushu Miners Demand Probe of RFB Loans - Akahata - 21 Nov 48. Translator: K. Shinoda. (SS)

Full Translation:

(KYUSHU) - In view of developments in the investigation by the Fukuoka District Prosecutor's Office of the coal mine state control case, both the Fukuoka Coal Mine Workers Union and the All-Japan Coal Workers Union Fukuoka headquarters, on 9 November declared that they would thoroughly go into the unforgivable illegal dealings of the operators and issued a joint statement. They are prepared to mobilze the unions involved for gathering evidence and starting other probe activities. The substance of this joint statement is as follows:

"It has been made clear by the prosecutor's office that loans obtained from the Reconstruction Finance Bank, which should have been used for coal production, were illegally spent in opposing the proposed state control of coal mines -- a move designed to protect feudalistic capitalists. Furthermore, a Diet member, who is also a coal operator, is saying that the prosecutor's probe is obstructing coal production and that he intends to introduce the issue in the Diet to call the prosecutors concerned to account.

"We workers, with the objective of getting to the bottom of these illegal dealings, absolutely support the action of the prosecutors."

ITEM 13 Sad Labor Thanksgiving Day - Tokyo Shimbun - 24 Nov 48. Translator: H. Akutsu. (WM)

Summary:

Yesterday was Labor Thanksgiving Day. It might have also been called Production Day, because it is a day to celebrate production. Because the day is set aside to celebrate the harvesting of fall crops, the day might have been spent more significantly. Social events in celebration of the day were held all over the country but none could have been classed as national events.

Though it was the day to celebrate production, farmers, knowing of the Showa Denko scandal and the state coal control issue, could not bring themselves to be thankful for industrial production. Moreover, the electric workers' dispute stopped the power supply to factories and the Tokyo streetcars. Coal miners unions, on the other hand, called waves of strikes. It is certain that the labor disputes cause hardships to the general public. As such, the day was a day for grievance rather than gratitude.

The electric workers', coal miners' and private railway strikes are all concerned with important public industries. These disputes have something in common in that the unions involved in the disputes are all large organizations and their demands in most cases are closely related with national finance.

On the other hand, many workers do not have strong union backing and are liable to be thrown out of employment. Actually, in some factories, the pay for workers is in arrears. This condition is not limited to labor alone. Traders, farmers and fishermen, though harrassed by adverse conditions, have no place to tender their demands. To the unorganized workers and the smaller traders and industrialists, the power workers and coal miners may appear to be a privileged class or "laboring peers".

The country's industrial recovery has gained only 50 percent of the prewar standard, and already sentimental opposition among industrial fields has become strong and is threatening to grow. Frankly, the people are not sympathetic to the power workers' and coal miners' demands. The people are aware that the workers' demands cannot be accepted without imposing an additional burden on the general public. In order to have the public's support when they submit their demands to the Government, the electric workers should try to eliminate power stoppages and the coal miners should strive to achieve the coal output goal. The first Labor Thanksgiving Day was spent meaninglessly. In order to make their production and labor worthwhile, workers should review the nation's economic structure before demanding their rights.

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Living Standard

NIHON KEIZAI was skeptical whether JAPAN's living standard could be raised to the 1930-34 level by 1953 with domestic production alone. The economic reconstruction plan's main obstacle lies in population increases, necessitating boosts in industrial production and foreign trade, the paper asserted. It pointed out that as long as the population is large, the people will have to be satisfied with substandard living by prorating the available output among the populace. Therefore, the journal called for a cut in population and birth control measures to raise the living standards of the nation. Stressing the importance of exports in stabilizing the people's livelihood, MAINICHI's second editorial believed that merely concentrating on domestic demands will not benefit industrial rehabilitation, but foreign demands must also be considered. The export business may prove to be a "hunger export," but the daily urged the people to endure this hardship, keeping in mind that increased food rationing is forthcoming.

INDUSTRIAL REHABILITATION

The future of Japan depends upon the rehabilitation of her industries, it is agreed by Japanese economic writers, who stress the fact that their nation never can be self sufficient and can pay for essential imports of food and raw materials only by the export of large quantities of manufactured and processed goods. The economic and the industrial recovery of Japan are held to be linked closely, and it is a general assumption that increase of production is the primary way to halt inflation and solve the nation's major economic problems. Inflation, shortage of capital funds (assertedly attributable to Governmental efforts to control currency circulation), and the economic difficulties of workers are held responsible for lagging production, along with such factors as deficiency of raw materials, shortage of coal and electric power, inefficiency of labor, and backwardness of production techniques. Writers stress the need of improving efficiency, bettering management, and providing incentive for workers. Others point out that the future course of Japanese industry depends on the available markets for her products and cite the need of Asiatic countries for machines and the products of heavy and chemical industries. Almost all articles dealing with industrial topics reveal Japanese hopes for the benefits to be derived from American aid and investment, with the Governor of the Bank of Japan declaring that "success or failure of the plan for rehabilitation depends solely on American aid."

ECONOMIC RECONSTRUCTION

Hisato Ichimada, Governor of the Bank of Japan, describes a number of necessary elements of economic reconstruction in a KAIZO article. "The first requisite," he writes, "is a balanced budget." Not only is "sound finance" essential, but also "we must examine the ratio of public finances to the total national income. A large Government budget means heavy consumption by the State, which imposes correspondingly heavy pressure upon national life, and causes high prices and spiralling inflation. Public finances . . . must be forced down to a proper proportion of the over-all national income. * * * Administrative personnel must be reduced and we must reexamine economic controls."

The task of rehabilitating the Japanese economy is "stupendous," Ichimada continues. "It must be carried out slowly; hasty efforts are of no avail because the present national economy is in such bad condition that success or failure of the plan for rehabilitation depends solely on American air. * * * The most urgent political issue confronting Japan is the economic problem. Economic problems affect many conflicting interests and are viewed in different lights by various classes, social strata, and organizations, but solution of these issues demands cooperation and consciousness of responsibility. This, in turn, makes it important that the political group in office be strong."

REQUISITES FOR RECONSTRUCTION

Sound economy and industrial rehabilitation are interdependent, it is agreed generally by writers in Japanese magazines. Securing necessary supplies of raw materials, obtaining financial aid from abroad, particularly the United States, halting the inflationary spiral, and raising the productive efficiency of laborers, are believed to be major requirements in the spurring of Japanese industrial recovery.

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PROBLEMS OF CAPITAL

(10.) The primary requisite in making Japan "the workshop of eastern Asia," according to ISHIKAWA Ichiro in JITSUGYO NO NIPPON, is "to create such conditions that other nations will desire to make investments here, without fear of losses." As long as the Government's repressive policy of "curbing the free and efficient circulation of capital" continues, no foreign capital will enter Japan. Ishikawa also is much concerned with the mental attitude of the Japanese -- "Japan must not allow herself to be reduced to beggary; she must appeal for foreign help with a spirit of independence and self-respect born of faith in becoming a self-supporting nation in the future." This writer also stresses "rationalizing and readjustment of industry" and "a price policy which will make production profitable. Just as laborers will not work for an income insufficient to ensure their livelihood, so the capitalist will neither invest nor produce where there is no profit to be made."

Executives of industrial concerns engage in a roundtable discussion for TOYO KEIZAI SHIMPO on the question "Does Not Scarcity of Money Restrain Production?" YOKOO Masaji, who represents a construction firm, observes that "civil engineering and construction organizations are very much affected by delays in Government payments for services rendered." OKADA Naoshi of the Nisshin Spinning Company reports that textile concerns are much affected by lagging decisions concerning establishment of official prices. "We are also suffering from the lack of funds to rehabilitate our equipment." "It is a great mistake to believe that inflation is being stopped by controls on Government payments," declares KANEKO Saichiro of the Oji Paper Company. "This only disrupts the financial structure and causes hardship to individual enterprises." (According to press reports the total sum of delayed Government payments to private enterprises for services rendered amounted to ¥35 billion at the end of September.) Kaneko also charges that high taxes discourage production.

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CONDITIONS FOR SELF-SUPPORT

(10.) Making Japan a self-supporting nation involves meeting the following conditions, INABA Shuzo writes in JITSUGYO NO NIPPON. "1) The national standard of living must be stabilized at a reasonable level. 2) Food and industrial materials must be imported from abroad and foreign trade must be adequate to meet our needs in food and industrial raw materials. 3) Industrial production must be raised to the level necessary to maintain the standard of living and meet export trade requirements. 4) The employment level and labor productivity must be raised considerably."

Population may constitute a major problem in Japan's economic recover, Inaba states. "The natural increase in the Japanese population was about 1,500,000 during 1947. If the population continues to rise at the same rate, it may present serious problems linked closely to the living standard and production level. The more the population increases, the greater will be the increase required in the nation's real income."

TSUCHIYA Kiyoshi, well-known economic writer, also presents in JITSUGYO NO SEKAI four somewhat more specific conditions requisite to industrial recovery. It is essential, he declares, "1) to secure necessary raw materials for industry; 2) to increase coal production; 3) to carry out necessary repairs on electric power generation equipment; and 4) to achieve most effective utilization of the export-import revolving fund." Tsuchiya maintains that if the productive level can be raised to 60 percent of that which prevailed in the prewar years, it will be possible to halt inflation. Meanwhile, he asserts, the general population must continue to endure hardship and privations while long-term foreign credits are being established.

In a companion article in the same magazine, KAMEDA Togo, chairman of the education department of the National Congress of Industrial Unions, expresses the opinion that if Japanese laborers are forced to suffer further privations, they will become physically incapable of restoring Japanese industry. "It will be a great tragedy if it is assumed that industrial rehabilitation is possible without any consideration being given to the workers' livelihood security."

23, NOV.

FREE ECONOMY

(6.) From the leftist journal ZENSHIN comes the view that free economy in Japan at the present would be disastrous. OKAZAKI Saburo contends that "abolition of economic controls would produce free competition and encourage a resurgence of capitalistic dominance of markets, bringing ruin to small producers, small enterprisers, and farmers. * * * A free economic policy can be realized only at great cost to wage earners and small producers, and would damage the capitalistic system severely by incurring the strong opposition of labor."

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ITEM 1 Kyushu Industries Make Rapid Comback - Nihon Keizai - 19 Nov 48. Translator: H. Sato. (TK)

Summary:

110.1

FUKUOKA Ken

Coal.

With the Kyushu coal output goal for this year set at 19,120,000 tons, 54 per cent of the national goal of 36,000,000 tons, FUKUOKA output in the first half year from April to September hit 6,753,210 tons, or 76 per cent of the production in entire KYUSHU during that period. FUKUOKA Ken has 136 coal mines of various sizes, or 55 per cent of the total number in KYUSHU. This includes the Miike mine of the Mitsui Mining Company (MITSUI KOZAN), which ranks first in production in JAPAN.

Iron.

The Yahata plant of the Japan Iron Manufacturing Company (NITTETSU), which ranks first in production in JAPAN, produced from April to September 183,000 tons of iron and steel, which is more than 50 per cent of JAPAN's entire production. The output of carbon steel was 210,000 tons or slightly over 40 per cent of the nations entire production. Steel ingot output is 214,000 tons, or slightly over 30 per cent of the national production.

Fertilizer.

The Omuta plant of the Toyo High Voltage Company (TOYO KOATSU) in October produced 7,439 tons of ammonium sulphate, which is about 40 per cent of the entire production in KYUSHU, and the Kurosaki plant of the Mitsubishi Synthetics Company (MITSUBISHI KASEI) 5,674 tons, slightly over 30 per cent. The Omuta plant of the Mitsui Electro-chemical Industrial Company (MITSUI DENKA) is contributing to the production increase as the sole nitro-lime manufacturing plant in KYUSHU.

Rubber.

The Japan Tire Company (NIHON TAIYA), which has its main plant in KURUME, produces monthly about 20,000 automobile tires, which is 50 per cent of JAPAN's entire production. The Japan Rubber Company (NIHON GOMU) produces a maximum of 670,000 rubber-soled TABI per month, or 40 per cent of JAPAN's total production. The production of canvass shoes amounts to 170,000 pairs, or 25 per cent of JAPAN's production. The Nikka Rubber Company (NIKKA GOMU) produces 250,000 pairs, or 15 per cent of JAPAN's production.

NAGASAKI Ken

Fishing.

The amount of catch in the prefecture ranks second in the country, next only to HOKKAIDO. Most of the catch is landed at the Nagasaki harbor. A total of 20,540,000 Kan (169,865,800 pounds) was landed there during last year.

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ITEM 1 (Continued)

Shipbuilding.

The Nagasaki Dock built 15 cargo-passenger boats and 175 fishing boats and repaired 2,100 vessels from August 1946 to July 1948. Besides, there are numerous shipbuilding yards including the Kawanami Shipbuilding Company (KAWANAMI) and the Hayashi Kane Shipbuilding Company.

Trade.

A total of 170 trading ships visited the Nagasaki harbor during last year. The boom in fishing, shipbuilding, and trading caused the population in A-bomb-stricken NAGASAKI to recover up to slightly over 70 per cent of the pre-A-bomb population of 270,000. The prefecture restored the tomato sardine production which amounted to one third of JAPAN's production before the war. It is planned to export 60,000 cases by January next year.

The prefecture ranked first in JAPAN with an annual exportation of 18,000,000 lily bulbs before the war, but after the end of the war, they have not been exported. Efforts are now being made to increase their production with the aim of exporting 10,000,000 bulbs annually five years from now.

SAGA Ken

Porcelain.

Arita porcelain is the sole export article of SAGA Ken. The prefecture annually produces 45,000,000 pieces valued at 200,000,000 yen. However, the fact that the porcelain industry in the prefecture still retains the traditional manual methods of production makes the prefecture's export lag far behind other prefectures.

OITA Ken

The prefecture is producing 60 per cent of the national output of rush, which is processed into matting. The finished goods are in great demand in war-damaged districts and mining areas. The total acreage, which formerly amounted to 1,600 Chobu (3,920 acres) was reduced to 300 Chobu (735 acres) during the war. However, this year's acreage was back up to 600 Chobu (1,470 acres), and increased production is expected in the future. The annual output of green matting is 2,000,000 sheets, equivalent to approximately 400 million yen.

Elegant bamboo baskets are famous from olden days as souvenirs of BEPPU. Some 3,600 workers are engaged in cultivating and cutting bamboo throughout the prefecture. Bamboo forests cover 8,000 Chobu (19,600 acres). Exported last year were 18,000,000 yen in whole bamboo and 45,600,000 yen in bamboo products.

The prefecture is the nation's second largest mushroom producing center topped by MIYAZAKI Ken.

The Saganoseki Refinery which is famous for its "tallest chimney in the Orient" is locted in the prefecture. The refinery produced 445 Kilograms of gold and 6,900 tons of copper last year.

Favored by a long coastline, the prefecture's fish catch in 1947 was about 8,000,000 Kan (66,160,000 pounds) as against the 10,000,000 Kan (82,700,000 pounds) prewar peak.

MIYAZAKI Ken

The prefecture is noted for its vegetables, and has produced 85 per cent of the nation's entire output of chopped, dried radish. The 1947 output was 1,400,000 Kan (11,578,000 pounds), worth 359,600,000 yen.

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The prefecture is KYUSHU's leading hydro-electricity source with 34 power stations. The peak output is 266,000 Kilowatt hours, or more than 50 per cent of the entire hydro-electric power generated in KYUSHU. The construction of large power stations is planned by prefectural authorities and the Japan Power Generation and Transmission Company.

The prefecture is also the nation's foremost mushroom producing center. This year's output is expected to be around 50,000 Kan (413,500 pounds), as against the prewar figure of 150,000 Kan (1,240,500 pounds). The bamboo production target for 1948 is 400,000 bundles, about 50 per cent of which will be exported to AMERICA, SINGAPORE, and KOREA, either as raw material or processed goods.

More than 50 per cent of all the prefecture's industrial products is produced by the Nobeoka Plant of the Asahi Synthetic Company. The plant is producing an abundance of essential export goods, such as rayon, celluloid, and other chemical products.

KAGOSHIMA Ken

Of the 10,690 factories within the prefecture, 2,840 factories, or 27 per cent, are producing foods valued at 840,000,000 yen, 41 per cent of the entire worth of the prefecture's industrial products. Next come the 2,005 factories, or 19 per cent, which engage in lumbering and wood working. Their annual production capacity is 480,000,000 yen.

Fishery, which registered 3,000,000 yen in catch in 1947 as against 18,000,000 yen in 1937, is gradually recovering. The production of special products, such as Oshima pongee, tin products, Satsuma china, and furniture, is also rapidly recovering. Kokubu leaf tobacco may yield to Kanto tobacco in quantity but never in quality.

The export industry is yet to develop.

KUMAMOTO Ken

The leading industry of the prefecture is agriculture. Hence, most of the export goods are primitive products. However, prefectural authorities are planning to encourage the exportation of processed marine and agricultural products.

According to a survey on exports conducted as of the end of March, major items are vegetable wax, tea, silk, bamboo, charcoal, split bamboo, and raw material bamboo. These were exported to AMERICA, CHINA, and the SOUTH SEAS. Exports to be encouraged in the future are lily bulbs, peppermint, pyrethrum flower, cotton yarn, fishing nets, porcelains, earthenwares, and soft drinks.

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ITEM 9 90% of Production Goal Forecast by Commerce-Industry Ministry - Nihon Keizai - 24 Nov 48. Translator: Y. Kurata. (UG)

1101

Full Translation:

While the nation's industrial as well as mining production for this year indisputably holds the key to the smooth start of the five-year economic reconstruction program effective from next year and thus draws close attention from all circles concerned, the Commerce-Industry Ministry authorities are sitting back on the forecast that 90 percent of this year's major commodity production goal will be attained.

The Commerce-Industry Ministry's forecast covers such critical items as coal, power, iron, steel, chemical products, fertilizer, cement, caustic soda and cotton yarn, and is based on the major commodity production records during the first half of this year, which is highlighted with such high production rates as 95 percent for coal and 100.6 percent for power.

According to the ESB plan, this year's industrial and mining production goal is set at 36,000,000 tons for coal, 31,500,000,000 KWT for power, 1,200,000 tons for iron and steel, 2,000,000 ton for cement, 900,000 tons for ammonium sulphate, 1,000,000 tons for superphosphate lime, 19,400 units for trucks and buses, 420,000,000 pounds for cotton yarn, and 46,000,000 pounds for rayon. The plan is thus aimed at restoring the nation's industrial and mining production index up to 58 or 59 as against the 1930-34 standard years.

Meanwhile, the Commerce-Industry Ministry authorities predict that the production index can be restored up to 53 or 54 as against the same standard years. If this production goal can be attained as predicted by the Commerce-Industry Ministry authorities, it means a gain of about 10 percent over last year's industrial and mining index of 43.2.

Among major commodities whose production during the upper half attained more than 100 percent of their goal, are power, electrolytic copper, lead, trucks, electric bulbs, caustic soda, super-phosphate lime, craft-paper, staple fiber, silk yarn and woollen yarn. This favorable production record is due to the fact that the above industries were favored with abundant power supply and, moreover, import of necessary raw materials.

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On the other hand, cotton yarn failed to meet the production goal due to the shortage of available raw cotton, cement because of inadequate handling of its shipment, rayon as a result of poor pulp imports and sluggish export of finished goods, and iron and steel due to the short supply of ore and coking coal. But, by and large, these items showed even better production records than in the first half of last year:

Compared to last year's index (shown in the bracket), this year's first half prodution records show the following improvement:

April -- 49.3 (39.9)
May -- 49.8 (42.2)
June -- 52.9 (42.3)
July -- 55.1 (41.7)
August - (41.2)

Regarding the second half production, it is generally thought possible that the production level during the third quarter (from October to December) will be maintained as high as that prevailing in the first half. In the fourth quarter, however, the production curb is expected to show an appreciable downward trend as the shortage of power, coal and funds is bound to increase its impact on such industries as fertilizer, non-ferrous metal, cement and textiles during this period.

It must further be pointed out that the Reconstruction Finance Bank's coal loans are already behind schedule and, furthermore, the nation's industry as a whole dipped into the coal stock set aside for the latter half during August to September, in anticipation of an eventual, short supply of coal.

The Commerce-Industry Ministry's commodity production forecast follows:

Commodity	1948 forecast	1948 plan	Ratio
Coal (in 1,000 tons)	36,703	37,575	98
Power (1 million KWH)	30.978	31,005	100
Heavy Oil (1,000 Kilolitres)	941	991	95
Benzine (1,000 Kilolitres)	303	385	79
Iron ore (1,000,000 tons)	1,689	1,550	121
Pig iron (1,000 tons)	991	1,137	87
Ordinary Steel Bars (1,000 tons)	1,055	1,140	93
Ammonium Sulphate (1,000 tons)	869	940	92
Super-phosphate lime (1,000 tons)	984	1,000	98
Caustic Soda (1,000 tons)	150	87	171
Soda Ash (1,000 tons)	772	750	105
Raw Cotton (1,000 bales)	565	1,322	43
Cotton Yarn (1,000 pounds)	270,440	420,000	65
Staple Fiber (1,000 pounds)	23,563	25,650	85
Rayon Yarn (1,000 pounds)	41,160	46,000	89

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ITEM 3 Three Months of EIB Activity Reviewed - Nihon Keizai - 20 Nov 48.
Translator: K. Harasawa. (SS)

Full Translation:

1104.

The Economic Investigation Board has been active since its inception on 1 August, supervising food and clothing administration, uncovering hoarded goods and investigating activities of large-scale manufacturers, wholesalers and public corporations. The board summed up its achievements during the past three months in its first interim report, published on 19 November.

In the future, the board will extend its functions to include the inspection of various government offices and the investigation of dealers in textiles, firewood and charcoal, oil and fat, perishables, and power.

Highlights of the interim report are as follows:

Investigation and Control of Leather and Hide -- Until recently, only about 20 per cent of the total production of leather and hide material had been put into official channels, thereby nullifying more than 70 per cent of all the allocation tickets issued. This resulted in manufacturers of belts, packing material, weaving machines and vehicles having to vie for the necessary leather and hide even at the exorbitant blackmarket price of 7,000 yen a sheet, compared with the official price of 4,500 yen.

Difficult Situation Eased

The systematic investigation carried out by the Economic Investigation Board eased this difficult situation by securing the delivery of 54,300 sheets (worth about 400,000,000 yen at current prices), or 72 per cent of the total production. In addition to the above, 6,000 sheets in KYOTO and 1,200 sheets in SENDAI are reported to have been made available for general consumers. Also ascribed to the activity of the board are exposures of serious violations now under investigation, such as the large-scale blackmarket operation in AICHI Prefecture which was carried out by a local union of dealers. The board is now conducting a thorough investigation of leather and leather goods.

Early in October, the board performed a simultaneous inspection of 242 factories, representative of those throughout the country dealing in wheat cleaning, milling and baking. The result was the discovery of 126 cases of inadequately operated factories, 13 indictments against 32 serious offenders, three cases of administrative punishment and written explanations from 15 operators. For instance, legal proceedings are being taken against the operator of a bakery in HIKONE Shi, SHIGA Prefecture, who had profited by baking and selling 2,000 loaves of bread from material he obtained by claiming a 20 per cent rate of loss on material received for baking orders.

Processing Capacity Exceeded

In KASUGA Shi, AICHI Prefecture, the operator of a government entrusted flour-mill, who has been holding about 570 tons of government furnished wheat by accepting contracts in excess of the processing capacity of his factory, has caused administrative measures to be taken against government officials responsible for the allocation of the wheat.

In its first attempt in October, the board exposed 183 million yen-worth of hoarded goods within the jurisdiction of its Osaka, Sendai, Nagoya and Takamatsu branch offices alone. The board now estimates the total amount of hoarded goods exposed during the present fiscal year at 3.8 billion yen.

Military supplies formerly comprised most of the hoarded goods, but the present trend is toward surplus materials created by obtaining government allocations in excess of actually required quantity. Therefore future investigations will be focused on warehouses of transportation and storage companies.

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ITEM 9 Current Chukyo Financial Trends Analyzed - Sangyo Keizai - 11 Nov 48. Translator: T. Hemmi. (RL)

Full Translation:

Financial stringency aggravated by inflation is bringing on business rationalization. Even in the Tokai district, which has been relatively unaffected by financial malaise, numerous cases of smaller factories defaulting on wage payments owing to the price revision and suspension of materials allocation have cropped up. Gradually these factories, which had depended upon the momentum of inflation to carry their watered management through the crisis, are beginning to reflect upon their plight. With this in mind let us glance at the financial conditions existing in Nagoya district.

Life insurance companies of AICHI and SHIZUOKA are not doing badly despite the monetary stringency. The tightness has failed to affect the number of contracts garnered. Even so, since large contracts have decreased, the life insurance companies are exerting efforts to offset quality with quantity.

Farm and fisning villages, until now, have been regarded as heavy subscribers to life insurance policies; lately, however, business with farmers has dropped off conspicuously.

Textile Business Shows Sharp Drop

The volume of business with textile firms in ONISHI and OKITA areas, which were called the home of parvenues, has dropped sharply. Despite this fact, it is surprising to note that a few competent insurance agents have rung up business exceeding 10 million yen per month. Bank deposits and loans in AICHI Ken, GIFU Ken, and MIE Ken are as follows:

Bank deposits increased step by step; for example, 20.6 billion yen as of January, 1948, and 22.6 billion yen as of April, 1948. On the other hand, bank loans increased; for example, 10.7 billion yen as of January, 1948, and 18.6 billion yen as of August, 1948.

The percentage of loans against deposits increased gradually; for example, it rose from 51.9 percent in January, 1948, to 53.6 percent in April 1948, and 62.8 percent in August, 1948. These percentages indicate an increase in demands.

A breakdown of total deposits by financial institutions reveals 29,600,000,000 yen with banks, 6,900,000,000 yen with agricultural associations, 5,450,000,000 yen with post-offices, 670,000,000 yen with credit associations, 700,000,000 yen with mutual financing associations, and 300,000,000 yen with trust banks, totalling some 43,500,000,000 yen.

On the other hand, the total amount of loans was approximately 20,000,000,000 yen, or less than 50 percent of the total deposits. The increased ratios of deposits to loans in August (on the basis of 100 for January) are as follows:

	Deposits	Loans
Banks	143	172
Trust banks	128	210
Mutual financing associations	178	163

Increase in Bank Loans Draw Attention

The increase in bank loans and the recent activity of trust banks are drawing attention. At the same time, the fact that the people are resorting more and more to mutual financing associations, which

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represent banking institutions operating outside financial control, is conspicuous. When the problem of financing smaller enterprises is being taken up, loans to smaller enterprisers which dominate the CHUKYO district is posing a serious problem.

How much funds are required for smaller enterprises as a whole? In order to solve this problem, the Central Commerce-Industry Bank in May surveyed the fund demands of approximately 900 corporative associations in AICHI Ken and GIFU Ken.

The figures compiled from 336 cooperative associations, which returned survey questionnaires to the Central Commerce-Industry Bank, revealed the fund demand to be 750,000,000 yen, including 520,000,000 yen for operating expenses, 95,000,000 yen for equipment funds, and 90,000,000 yen for transfer funds to other associations. Of these, the largest demands included the 350,000,000 yen of textile interests, 113,000,000 yen of machinery interests, and 32,000,000 yen of foodstuffs interests.

These figures must be considered more conservatively, but it is believed that funds amounting to approximately 1,500,000,000 yen were required in AICHI Ken, GIFU Ken, and MIE Ken. Meanwhile, the balance of loans from the Central Commerce-Industry Bank as of September amounted to 30,000,000 yen, and that from the RFB to approximately 200,000,000 yen.

Since loans from the above two banks were extended prior to May of this year, loans from officially-fixed financial institutions were extended only to firms specifically associated with banks, and the amount of these loans is believed to be alarmingly small.

New Credit Association in Nagoya is Active

The newly-established credit guarantee association in NAGOYA Shi received 19 applications amounting to 2,200,000 yen and held 11 applications in the process of screening, which amounted to 150,000 yen between August and September. The Credit Guarantee Association in AICHI Ken has received three applications amounting to 1,300,000 yen since its inauguration in October.

Although many firms avail these credit guarantee associations, the demand cannot be met because of the limited amount guaranteed. This has led most smaller enterprisers to rely upon their own resoureefulness to obtain funds.

Nearly all smaller enterprisers thus are resorting to loans from relatives, friends, or blackmarket financiers. Since these smaller enterprisers cannot bear a heavy burden of high interests charged for blackmarket loans, they are gradually being pushed into rationalizing their managements and producing superior quality products.

Meanwhile, the September loan balance of the RFB, one of the largest industrial organs, stood at 2,130,000,000 yen, representing 555 applications, of which equipment funds nearly equaled operating funds.

Classified according to departments, 500,000,000 yen (24.1 percent) is to be extended to electricity interests; 480,000,000 yen (22.7 percent) to machinery and apparatus interests; 350,000,000 yen (16.8 percent) to textile interests; and 142,000,000 (6.7 percent) to marine product interests.

Firms Receive Operating Funds

Classified according to firms, the Chubu Power Distribution Company obtained a loan of 500,000,000 yen from the RFB; the Toyoda

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Automobiles Manufacturing Company, 400,000,000 yen; and the Daido Steel Manufacturing Company and the Aichi Steel Manufacturing Company, 100,000,000 yen each.

With the exception of the Chubu Power Distribution Company, these loans were extended to the above companies as operating funds. This is indicative of the financial condition of basic industries.

As opposed to this, loans extended to textile interests are being applied as recovery funds for former reconverted cotton spinners, while loans granted to marine product interests are to be applied to the construction of fishing vessels, as in the case of the Mie Marine Products Industry Company. In this way, the loans were extended as equipment funds.

Meanwhile, loans recommended by the Bank of Japan, in line with the policy that industrial loans will be extended by city banks as much as possible, aggregated one billion yen (59 applications) as of September, of which 90 percent constituted operational funds.

Comparing these figures with the 28 loans aggregating 520,000,000 yen for the first half of the year, a considerable increase can be noted. However, the majority of these large loans have been employed to cover wage disbursements by local autonomous organizations. Thus, the fund demands arising from the budget time lag are enormous.

Moreover, a 120,000,000 yen loan has been extended to the Japan Rolling Stock Manufacturing Company as construction expenses for the manufacture of rolling stocks destined to be exported to RUSSIA.

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ITEM 17 Production Trend Worthy of Notice - Asahi - 19 Nov 48. Translator: J. Ide. (JJY)

110.1

Full Translation:

In the clamor for Diet dissolution and wage increases, the people are apt to miss the main current of the nation's economy. The fact that the nation's mineral and industrial output topped the 50 percent level of the prewar standard in September this year is quite noteworthy from various angles. At the same time, this will give bright prospects to the future of the national economy. Therefore, this fact should be considered by the people.

According to the composite index announced by the National Economy Research Association (1935-37 = 100), the actual production level last year barely reached 33 percent. However, this situation turned very favorable since the beginning of this year. The indexes show the following remarkable advance: April - 41.6; May - 39.0; June - 44.2; July - 44.1; August - 49.8; September - 54.2.

The nation's production has advanced from 30 to 50 percent in two years, since it topped the 30 percent mark of the prewar level for the first time in September 1946. Some circles may consider that the tempo of recovery is sluggish. However, we were greatly surprised that the production index in September this year topped the 50 percent mark. Taking into account poor production conditions, this result should be highly appreciated.

From this pertinent fact, we can derive various lessons. First of all, this fact has completely repudiated the opinion that a monetary adjustment must be enforced for the purpose of increasing production, since industrial output will not increase in a inflationary setup. Even under inflationary circumstances, we can manage to increase the nation's industrial production. In this sense, we cannot leave untouched such a dogmatism as to stress merely a monetary adjustment without making any effort to increase production.

Secondly, one of the most important problems for the nation's production is to secure raw materials and facilities, especially those for key industries. One of the main reasons for the increase in production lies in the increase in coal output to 125 percent, electric power supply to 103 percent, pig iron to 306 percent, and steel to 194 percent, as compared with the corresponding period of last year. Moreover, the production of other materials has made a favorable turn.

Especially, the importation of production materials, thanks to US credit to JAPAN, must not be ignored. The remarkable increase in steel production is largely attributable to this aid. From this point of view, the important influence foreign credit has on Japanese economy is so clear that immature opposition to this trend has become nonsensical.

Thirdly, shortage of funds in various enterprises has been loudly discussed since spring, but this has not proved to be a great drawback for the nation's production. This fact will touch the core of the future financial policy. It cannot be denied that national production has increased even with such a tough financial policy. Therefore, any sudden change in the financial policy is indeed beyond imagination.

Of course, we don't think that the current inflation will stop as a result of the gradual increase in production. To curb inflation, it is absolutely imperative to prevent the creation of additional purchasing power. For this purpose, the deficits in both national budget and private management should be eradicated. This is the pivotal point of the most effective anti-inflationary measure. The so-called three-point principle--cancelling the revision of prices, the dependence on government subsidies, and the issuance of deficit loans--is of vital importance for this purpose.

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To enforce an anti-inflationary adjustment, which is inevitably followed by a stabilization panic, production should be increased considerably beforehand. In this sense, the fact that the nation's production has topped the 50 percent mark of the prewar level will give a bright prospect for checking current inflation. If this productive situation should be maintained, it is within the bounds of possibility that the nation will be able to enter into an anti-inflationary adjustment stage in the latter half of next year.

Under these conditions, the vital problem is the future of national production. Considering the sluggishness of coal supply as the result of slow coal production, the increase in labor unrest, the deterioration of electric power supply, and the overproduction of some commodities, the prospect from this autumn to winter is by no means rosy. Even if relief materials should be imported from the UNITED STATES, the nation's industrial production will go below the 50-percent level. In this respect, the situation does not admit of any optimistic prospect.

To safeguard the 50 percent mark, which the nation's production once broke, we sincerely hope for desperate efforts by both labor and management. For example, it is easy to preserve the 50 percent mark if coal output could be increased by lengthening the actual working hours by one hour.

To say nothing of coal miners, key industrial workers such as electrical and steel workers have now embarked on nationwide strikes. If these disputes result in a decrease in industrial production, the entire industry of the nation will be greatly affected. The production will go below the 50 percent level, and such a situation will not be easily rectified even in the rainy season next year. We wholeheartedly fear this ill effect.

The unexpected increase in production gives us a bright prospect. The great mission entrusted to us is to maintain this level, and, if possible, increase this level so as to establish a setup capable of liquidating the current inflation.

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ITEM 19 3 Principles of Economic Destruction - Akahata - 19 Nov 48.
Translator: N. Satake. (JJY)

1101

Full Translation:

Recently the Government decided on what they call the three basic economic principles. Indications are now strong that with the enforcement of these three principles, hard living and curtailed production are being accelerated and the danger of enslavement of the people is being presented.

The three principles are (1) that loans will not be permitted under any circumstances to cover deficits ensuing from wages, (2) that commodity prices will not be revised to affect prices of general merchandise, and (3) that no subsidies will be granted, the first consideration being balanced finance. In accordance with the basic policy, the Government has already decided to discontinue loans to coal mines which are striking and to entirely suspend Reconstruction Finance Bank loans between the 15th and the end of this month.

The primary object of these principles is to force a wholesale dismissal of workers. The Government is intending to help the coal mine owners by this step to find a pretext for effecting a wholesale dismissal of workers since they will not have enough funds to raise the pay of workers. The 6,300-yen base decided by the Personnel Commission is based on administrative readjustment. If the Government follows this proposal, wholesale dismissals are sure to be forced not only on government-run enterprises but on private industries also.

It is not the working classes alone that will suffer from the discontinuance of loans. Smaller industrialists and subcontracters will feel even more the shortage of funds. They can hardly pay wages and may even be obliged to suspend production. Prospects are that attainment of the 36,000,000-ton coal output is regarded difficult and decreased production is feared also in metal and chemical industries.

Why is the Government trying to carry out such ridiculous policies which will make the people's living harder and curtail production? By so doing they are desiring to deprive our national economy of its independence by making it rely on foreign investments.

The policy based on the three economic principles means the increased strength of monopoly capital and not improved economic circumstances, that will prove strong enough to overcome the attendant confusion. The result is certainly the opposite, as has been seen since last summer in the reduced prices of farm products, collapse of smaller industries, and overproduction in industrial circles.

Monopoly capital and the Government have lost hope about prospects and ability to cope with the financial situation and operate economy by their old methods in the face of the popular struggle certering around fights for higher wages and against unfair taxes. What is worse, aid through foreign investments, which are their life line, has not been extended and export business is facing a complete deadlock. The present situation is so serious that they can do nothing about it. Here the Government and capitalists, taking gamblers' chances, are striving to improve their businesses based on monopoly capitalism by forcibly discharging laborers as they have long been wishing, and thus enhance the invitation of foreign investments. The Government is busy trying to establish a new Foreign Investments Board.

The Yoshida Cabinet's capacity as a comprador has been completely exposed and its antipopular policies are being forced on the people. With the enforcement of the three principles it is obvious that the Democratic Liberal Cabinet, contrary to its expectations, will meet a graver crisis. I s empty promises which were only intended to win public favor will soon be forgotten. The party executives are in a restless state since they are caught between the capitalists' categorical orders and their public pledges. It is difficult to further the promised rehabilitation of smaller industries. Only a few industries have survived which are likely to pay when the single exchange rate system is realized. The possibility of the masses approaching our party is speedily looming.

Here we must not lose time in organizing a struggle for the defense of industries by exposing the essence of such destructive policies of monopoly capital and launching an immediate campaign against the dismissal of laborers. All laborers should stand up to oppose the dismissal of workers. This and this only is the way to protect the people's living, keep production from being destroyed, and fight against being enslaved.

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ITEM 20 Establishment of Management Discipline - Jiji Shimpo - 19 Nov 48.
Translator: R. Ishii. (WH)

110-1

Full Translation:

It is reported that the Japan League of Management Organizations decided at its standing committee meeting of 16 November, to establish discipline among management organizations. They urged their participating organizations to co-operate with the committee.

This step is supposed to have been taken because of the increasing number of scandals in government, political, financial and business circles. These scandals have not only hurt the confidence of financial circles as a whole, but have incurred the people's distrust of management which forms the nucleus of the financial world. As a result even legal financing of loans is now restricted. This is a matter of great regret not only from the viewpoint of the interests of management, but from the viewpoint of national economy as a whole. Management should now reflect upon its support of political parties and also upon its mission.

Needless to say, the primary mission of management is to bring capital and labor together in order to contribute to the development of national economy. Therefore, managements' duty is to make profits and reward the capitalists. At the same time, it has the right to share in the profits in the form of bonuses and such. However, the actual conditions in management circles do not indicate that management is performing its duties satisfactorily. This was clarified in the statement recently issued by the JLMO: "It is an undeniable fact that there have been some doubts about the way management has been conducting business since the end of the war."

In various enterprises, labor relations are not stabilized and it is clear that management is not performing its duties satisfactorily and that profits are not being made.

The most disagreeable tendency since the end of the war is that funds have been used with no distinction being made whether for official or private purposes. Recently, management has illegally used company funds when the money should have come from its own pockets. Moreover, company funds are being spent carelessly. This trend is not limited to the Showa Denko and other scandals but is common to all financial circles since the termination of the war.

This may be partly ascribable to economic controls which improperly restricted the treatment and profit sharing of management, thereby making it impossible for management to uphold its prestige. It may partly be due to the fact that management was formerly mostly undertaken by capitalists, but today salaried noncapitalists handle the job because of the purge directive. Thus, it is possible to presume that management has come to misuse company funds because it was unable to receive the pay coming it.

If this proves true, it will become necessary to improve the treatment of management in order to have it fulfill its mission. This is as important as the improvement of workers' treatment. However, it may be quite difficult to improve management's treatment in view of the current deficit finance and the strong demand of workers for the betterment of their own treatment. But it goes without saying that it is necessary to improve the treatment as the economic situation improves. Management should be given proper treatment so that it can fulfill its biggest mission by doing its best to reconstruct our country.

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ITEM 2 General Upswing Noted in Kyoto Industries - Kyoto Shimbun - 10 Nov 48. Translator: K. Sato. (TK)

110.1

Full Translation:

What is the current picture of industrial production in KYOTO? According to surveys by the Kyoto Chamber of Commerce and Industry and the Price Section of the Kyoto Municipal Government, the production indexes from January to August this year, compiled on the basis of 1 Oct 46 as the standard (zero), are as follows:

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Spinning industry	84	113	157	172	152	209	187	251
Food processing industry	108	57	460	71	104	119	117	170
Ceramic industry	71	59	46	41	50	55	35	46
Chemical industry	33	40	38	39	48	44	56	81
Metal industry	31	39	38	43	45	42	44	48
Machine & tool industry	25	30	33	34	35	36	39	46
Wood & bamboo industry	16	22	23	24	22	22	34	37
Others	32	24	31	24	49	49	44	42

The table indicates a considerable production increase in each line of industry, except for ceramics. The monthly figures, however, show some fluctuations in production, which may be attributed to the food situation, tax collection, and fund shortages. Classified by industries, the spinning industry (sewing, rayon manufacture, dyeing, reprocessing and weaving) had taken a normal course of development, but this upward trend was interrupted by heavy tax collections during April and July. Production mounted in June and August because industrialists stocked products to exploit the July price revision and to evade the heavy transactions tax scheduled to be enforced in September.

The food processing industry, although marking a sharp upswing since February, sustained a heavy blow from compulsive tax measures applied to its blackmarket incomes and the food shortage in the preharvest season. However, it has been restored to its former state and resumed its upward climb.

Meanwhile, the wood and bamboo industry, unique to KYOTO, has been on the upswing ever since decontrol in October last year, but more recently it maintained a status quo until June due to the fund shortage. The machine and tool industry showed a similar trend.

The chemical industry, on the whole, registered a favorable production increase in each of its branches, the drugs, fat and oil, and resin industries. It is to be regretted, however, that the ceramics industry declined in production owing to a drop in demand at a time when it must play an important role in foreign trade.

The output of lacquerware, toys, dolls, and fans dropped since May because these articles are little needed in actual life. It is noteworthy that the output of paper articles in August was reduced to one half the June figure, hinting the future necessity of cultivating a new market.

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

ITEM 5 Recovery Council Plan May Lower Standard of Living -- Yomiuri - 19 Nov 48. Translator: K. Hirata. (JJY)

110.1

Full Translation:

Chairman INABE of the Recovery Planning Council, at its sixth co-ordination meeting, made a report on the recent progress achieved by each division since the basic policy was decided on 10 August. An outline of the report follows:

Mining and manufacturing industry division:

The motive power standard for the year 1953 (or the last year of the recovery program) was set at 48,000,000 tons of coal (5,900 calories) and 46,000,000,000 kw-hr of electricity. Under this plan 40,000,000 tons of coal (5,700 calories) and 40,000,000,000 kw-hr of electricity will be required in 1949.

To realize this program, it is vital to increase coal production. Next year 17 new mines must be developed. In addition, the past electricity program was changed from 1,000,000 kw-hr to 1,500,000 kw-hr. When the import situation is considered, it is extremely difficult to implement this program under the plans worked out by each division, committee, and subcommittee.

Under the program for next year, stress is placed upon increasing the production of iron and steel and a large amount of these goods is to be exported. To this end, not only will more coal be allocated to the afore-mentioned industry but, on the other hand, less coal will be allotted for domestic use. This means a decrease of coal allocation to the fields of transport, export, increased production, and domestic recovery.

Food and daily necessities division:

The food base for 1953 was set at 2,100 calories, 70 grams of protein, and 15 grams of fats per day per capita. To this end, it is necessary to produce 67,500,000 koku of rice and 28,000,000 koku of wheat and to import 4,000,000 tons of staple food, 500,000 tons of soy beans, and 500,000 tons of fats and raw materials for fats.

to take into consideration the future foreign trade structure standard of living, and production. In addition, it is strongly called for to encourage export under the external circumstances. It is necessary to advance the past policy in which stress was placed on paving the way for export (decision on an exchange rate and encouragement of the export industry).

Export must be promoted as the supreme order from 1949 on. To this end, top priority must be given to export even at the sacrifice of the nation. It is unavoidable to lower the future livelihood standard below that of 1930 - 1934. The level of 1930 - 1934 is not guaranteed, internally and externally. Everything is dependent on the people's efforts.

The past conception that JAPAN's economic stability presupposes that of the FAR EAST and free exchange of exports must be changed. It is extremely difficult to attain the 1,850,000,000-dollar export goal in 1953 even if the past policy is changed. Herein lies a reason why there is no other way but to lower the degree of stability necessary for JAPAN's economic self-sufficiency. How to adjust it is the next problem.

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ITEM 5 (Continued)

However, it is difficult to import this amount when the export situation is considered. This necessitates increasing domestic production, farm development, and improvement of land. The difficult problem is that if stress is placed on these fields, it will automatically retard the recovery program.

Foreign trade division:

Under the past plan the export goal was set at 616,000,000 dollars for 1949 and 1,850,000,000 dollars for 1953. However, the goal for 1949 was changed to 460,000,000 dollars in view of the recent actual records. However, certain influential circles are calling for more exports. Therefore, a change of policy is anticipated. This adjustment is the problem to be solved in the future.

Recovery and construction division:

Under the interim plan worked out by ministries and the industrialists concerned in mid-September, construction expenses total 2,770,000,000,000 yen is to be financed by the National Treasury. Moreover, 5,900,000 tons of steel, 25,400,000 tons of cement, and 354,000,000 koku of lumber will be needed. However, the plan is on a too large scale for the present Japanese economy. Even if these figures are cut down, the problems of developing electric resources and farm lands, building houses, and damage recovery restoring disaster damages must be settled on a priority basis.

The basic policy for revising the program:

It is extremely difficult to formulate a concrete plan in accordance with the basic policy worked out on 10 August, because it is necessary to take into consideration the future foreign trade structure standard of living, and production. In addition, it is strongly called for to encourage export under the external circumstances. It is necessary to advance the past policy in which stress was placed on paving the way for export (decision on an exchange rate and encouragement of the export industry).

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ITEM 13 Public Corporations Seek Independent Account Plan - Seiji Shimbun - 16 Nov 48. Translator: T. Mitsuhashi. (TK)

Full Translation:

110-1

Fifteen public corporations were successively established between the spring of last year and the middle of this year, and reorganization and the revising of essential functions are already being discussed. Reorganization of public corporations concerned with foreign trade was first to come into the limelight.

Being over a year now since private foreign trade was first authorized, the bulk of foreign trade is about to move from government to private hands. The Government has been studying foreign trade procedures, loans, and operational structures in its attempt to promote private foreign trade. The reorganization of public foreign trade corporations was first taken up by the Government under the item of operational structure.

It is reported that the present four foreign trade corporations will be reorganized into one import and one export corporation to begin functioning on 1 April of next year. The four corporations will continue at minimum level until then. The new corporations will exclusively handle government trade and will not participate in private trade. The Government will handle as few items as possible, thus enabling both the structure and personnel of the corporations to be reduced.

The coal distribution and petroleum corporations are also scheduled to be reorganized or reduced - the coal distribution corporation, because of the abolition of the Government's lignite purchase system, and the petroleum corporation, because of the transfer of petroleum storage facilities to private enterprises.

About 5,600 employees of the foreign trade, coal distribution and the petroleum corporations are destined to be fired.

Reasons for Independent Account System

Along with these scheduled reorganizations, public corporations are plugging for the adoption of the independent account system for the sake of more elastic functioning. Since public corporations have their expenses covered by government subsidies and their own handling charges, they are obliged to operate within a budget set by the Government.

First, public corporation budgets are itemized, and they are prohibited from diverting funds designated for a particular item to meet deficits in another. In fact this is totally impossible due to the absence of authorized reserve funds.

Secondly, public corporations, not being permanent organizations, are not permitted to retain any fixed assets. Therefore, such public corporations as the fertilizer corporation which requires numerous branch offices are unable to meet their financial obligations.

Thirdly, their personnel and business expenses being covered by government subsidies under the present budget system, public corporation personnel are of a fixed number and results in the lack of elasticity.

Aim of Independent Account System

The adoption of the independent account system aims at the following points:

The system must be enforced under the present economic structure to the extent where it will not disrupt the existing public corporation system. It should give public corporations the independence and elasticity of an enterprising body and enable the rationalization of management. To this end, the budget system should be abolished; appropriate business schedules should be worked out by the public corporations themselves; and government subsidies should be granted as a general budget and not be itemized.

Although public corporations engage in the sole purchase and sale of key commodities and in the leasing of establishments, for which they are both authorized by law and backed by national capital to act as the government's executive agencies, they are not permitted initiative of action due to the strict government control over their business and budget. Thus, it appears as if public corporations will eventually bog down into bureaucratic and frigid organizations which fail to change with the trends.

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

ITEM 24 Best Time for Removal of Control - Jiji Shimpo - 17 Nov 48. Translator: S. Higashi. (UG)

110.1

Summary:

Recently the upswing in prices of commodities on free sale has slowed down considerably, and in all commodities the gap between free and controlled prices has narrowed. This may be regarded as one sign that inflationary tendencies are levelling off, at the same time, may indicate that the time is now ripe to carry out an over-all readjustment of the distribution and economy control system.

The situation with reference to vegetables, fruits, matches and electric light bulbs, all point to the fact that removal of economic controls from a wide range of goods will not cause prices to soar excessively.

The institution of economic controls during the war was accepted by the nation as a necessary evil, and even after the end of the war, the public accepted the continuation of economic controls on the basis of the explanation that there was a shortage of goods. But on the other hand, economic control has deep roots in a group of officials who might be called "reform officials" and who have regarded it as a means of rectifying evils and defects in private enterprise.

This war-time socialistic concept had been strengthened by the advent to power of a socialist party following the war. The true motive may be thus interpreted as being a desire to continue wartime economic controls and linking it with post-war socialistic measures. Thus, the abolition of economic controls would deal a big blow at this stratum of economic officials and would signify a drastic curtailment of their power. In other words, the abolition of the control system would most seriously affect not the commercial nor the industrial circles but officialdom itself. This factor has undoubtedly been instrumental in the postponement of the abolition of economic controls.

The abolition of economic controls, if accomplished, should not be credited to the Democratic Liberal Party alone. The time is already ripe for the removal of economic controls. The issue transcends all party politics.

Especially when the question of raising the wages of government workers has become one of the most crucial issues of the times in connection with the revision of the National Public Service Law, there is no other way left to solve the question but to upset the economic stability of Japan through a drastic reduction in the personnel of government organs. The adjustment of JAPAN's economic control structure coincides with this necessity of cutting down personnel. In addition, it would aid in eliminating the causes of corruption in government circles and in solving the straitened financial situation.

ITEM 7 FEO Supports Three Principles Conditionally - Tokyo Shimbun - 26 Nov 48. Translator: Y. Akabane. (UG)

110.1

Full Translation:

The Federation of Economic Organizations yesterday made public a statement supporting the purport of the so-called three principles of the wage issue, on condition that the following three prerequisites are fulfilled:

1. A system of direct control over wages should be established as soon as possible. Particularly, efforts must be made to correct the inequalities existing between wages of public servants and those of private industry workers, and between pays in various private industries.

2. In order to set up a basis for the adoption of the three principles, a co-ordinated policy should be executed by realizing welfare stabilization through price adjustments, materials and electric power ration increases and the securement of food, clothing and housing; and the abolition of unnecessary controls and the revision of labor laws and regulations.

3. The application of the three principles should be flexible to meet actual conditions, without leaving matters entirely to the unilateral and technical judgment of the Personnel Affairs Commission and labor committees. It must also be done on the basis of a broad viewpoint. Simultaneously, a large-scale administrative readjustment should be carried out, accompanied by the early establishment of unemployment measures.

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ITEM 6 Recovery Comm Holds First Session under New Cabinet - Kogyo Shimbun - 19 Nov 48. Translator: M. Okajima. (WM)

110.1

Full Translation:

The sixth Recovery Planning Council meeting, the first since the formation of the Yoshida Cabinet, was held at the Premier's official residence at 1000 hours yesterday with Premier YOSHIDA, Economic Stabilization Board Director-general IZUMIYAMA, Agriculture-Forestry Minister SUDO and Chief Cabinet Secretary SATO representing the Government. Bank of Japan President ICHIMADA, ISHIKAWA Ichiro and all other committee members attended.

Those representing the Government clarified its attitude toward the Economic Recovery Program, stating: "Although the committee was organized under the former cabinet, its objective is not to serve a particular cabinet but to cultivate the interests of the entire nation and, consequently, it has an important bearing on international relations. For this reason, the Government attaches great importance to the program now under study by the committee and is now ready to help realize the program so that it may serve the nation's economic reconstruction."

Then, the committee's secretariat director INABE reported on progress so far achieved and called upon the members to express their opinions on future policy. After various opinions had been advanced by the members, the meeting adjourned at 1230 hours.

In view of yesterday's decision on the necessity of revising existing basic policies, the committee decided to organize a special subcommittee so that the statistics-gathering and basic policies of the secretariat may be well regulated. This task of preparation will have to be completed by mid-December, and a final decision on the intended program will be made by the end of next January.

The Special Subcommittee will include ESB Director-general IZUMIYAMA, Director-general NAGAI of the Board of Trade, Bank of Japan President ICHIMADA, Production Rehabilitation Council President NAGASAKI, and NAKAYAMA Ichiro, ISHIKAWA Ichiro, TOHATA Seiichi, ARISAWA Hiromi, and TSURU Shigeto.

ITEM 9 Cabinet Decides to Relax Restricted Companies Ordinance - Mainichi - 26 Nov 48. Translator: Y. Takahama. (UG)

110.1

Full Translation:

The Government has decided to relax the Restricted Companies Ordinance. The revision was discussed and decided to be enforced at the 24 November cabinet meeting. The new ordinance will be promulgated tomorrow. The ordinance will be retroactive from 6 November.

The salient point of the revision follows:

The former ordinance required the Finance Minister's permission when a restricted company wanted to dispose of its property, to expand or newly set up facilities, or to pay its officers or expenses for non-routine matters. But, hereafter, permission will not be necessary.

Besides the relaxation of the Restricted Company Ordinance, the following watters also will be decided by the Cabinet:

(1) The Ordinance concerning restriction of security holdings shall be applied to successor companies.

(2) The Special Measures Law for Companies shall be repealed.

(3) Under Art 2 of the Restricted Company Ordinance, anyone who held more than one percent of a company's stock had to obtain the Finance Minister's permission to dispose of it. The new ordinance will relax this.

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ITEM 20 Economic Stabilization and Removal of Control - Nihon Keizai - 26 Nov 48. Translator: S. Kinoshita. (JJY)

110.1

Full Translation:

With the exception of government officials and certain dealers who are reaping exorbitant profits due to the control on vegetables, all the people are now unanimously hoping for its removal. Not only the vegetable control but also all other ineffective and harmful controls must be curtailed to the minimum. It goes without saying, however, that simultaneous lifting of all sorts of controls is impossible at least under the present circumstances.

Those who advocate the removal of controls may be classified into two groups: One categorically denies all sorts of controls; the other supports controls or acknowledges the necessity of controls as a principle but opposes all the impractical and harmful bureaucratic controls as are now being carried out.

It is evident that the present controls are accompanied by so many evils of bureaucratic bungling that they should undergo a drastic curtailment or reform. Furthermore, we must sincerely consider the problem of economic controls in connection with economic stabilization.

It is clear that the present economic instability has resulted from scarcity of goods. So, it is reasonable to plan to stabilize economy on the basis of increased production - to observe economic instability with reference to the quantity of materials. It is also necessary to observe it with reference to economic structure or economic system. It is overlooked that economic control is one of the major factors of the present economic instability.

The economic controls were originally instituted in order to prevent economic confusion arising from the scarcity of materials. At present, however, there are many cases of economic controls causing economic instability rather than stability.

Heretofore, we have been accustomed to think of the strengthening of controls whenever we consider the stabili tion of economy, and the establishment of the flow of materials has meant the strengthening of distribution control. But, economy can be stabilized even under the free economy system and the flow of goods can be established if the market attains normal development.

In other words, control is not the only measure for stabilizing economy. On the contrary, it cannot stabilize economy as long as it is carried out as clumsily as it is now. A drastic curtailment of controls is a key to the stabilization of economy.

It is a main feature of present society that controlled economy is operating side by side with free economy. This is one of the major factors in the economic instability today. Economic stabilization can never be expected in a society where both official and blackmarket prices are in effect for one commodity at the same time. In order to bring about real stabilization of economy, we must either place everything under control or release everything from control.

In view of many evils accompanying today's economic controls, we cannot expect that control over production, distribution, and consumption will be carried out satisfactorily in the future. However, it is also impossible to lift all of the controls simultaneously. Herein lies an unavoidable difficulty in the way of stabilizing economy. To attain economic stabilization to the maximum extent, we must limit economic control to the minimum.

If we rely upon increased production alone for economic stabilization as the Government's industrial reconstruction program does, we are not sure whether stabilization can be realized even when production is increased as scheduled. This will be easily understood if we cast a glance at the fact that the distribution of perishable goods is not being carried on satisfactorily, while their production has attained a sizable increase.

The shortest and the most ligitimate way to the stabilization of economy is to carry out strong control on key materials, on the one hand, and, on the other, to remove all controls on nonvital materials.

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ITEM 8 Course of Our Industrial Recovery - Magazine: Toyo Keizai Shimpo (Weekly) - 13 Nov 48. Translator: T. Osame. (TK)

110.1

Summary:

Although enthusiastically welcomed just after the war, the idea of JAPAN's economic recovery through the development of agriculture is not accepted now. Since it has been proved impossible to produce enough food within this country to feed the large population, the plan to open up new land, which was fairly well under way, seems to have been abandoned.

In order to support the large population, industries must be revived to increase our exports so that necessary food and raw materials may be imported. In this respect, the situation in which JAPAN is now placed resembles that when she tried to turn over from agriculture to industry after the Sino-Japanese War between 1894 and 1895.

However, there are divergent opinions as to which industry is of the greatest importance. The most strongly supported contention is that stress should be laid on the heavy industries, especially steel, shipbuilding, rolling stock, and textile machinery manufacturing. This idea is closely connected with the present situation in foreign markets where little hope can be placed on the export of textiles, while the demand for steel and machinery is great.

However, it is hardly possible for JAPAN to rehabilitate her economy through the development of these industries. Our heavy industry has two handicaps. Firstly, JAPAN is not blessed with abundant iron ore and coal, especially coking coal. Secondly, JAPAN is still lagging far behind western advanced countries on the technical side.

Our shipbuilding, rolling-stock, galvanized iron sheet, and spinning-machine manufacturing industries are now enjoying a good demand from abroad. But this is because those western countries which exported ships and these machines are now so busily pressed by the need of expanding their armaments or rehabilitating their war-damaged industries, that they cannot give attention to export trade.

However, such a favorable condition will not last long, since, if peace is restored to the international situation, these advanced countries will again export a great quantity of excellent and cheap machinery to oversea markets. It is very doubtful whether Japanese goods will then be able to compete successfully with those made in these countries.

It cannot be denied that the present favorable situation offers our heavy industry a golden opportunity for its development. However, it is a mistake to consider that our heavy industry has been provided with a foundation to develop as the pivot of JAPAN's postwar economy or that there is little room for the development of our textile industry.

The textile industry in this country attained a proficient technology and gained wide experience in years of competition with foreign textiles in the past, but at present the future of our textile exports does not seem bright. However, if satisfactory raw materials can be imported, our past experience and technical skill will play an important role. This expectation is partly indicated by the fact that the cotton-spinning industry is one of those which is paying the greatest attention to their mechanization and other kinds of industrial rationalization. It is essential that a satisfactory program of our industrial reconstruction be formulated subsequent to a thorough understanding of the actual circumstances.

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ITEM 7 Quality of Goods Must Be Improved (SAITO Jiro) - Toyo Keizai Shimpo - 20 Nov 48. Translator: K. Sugasawa. (TK)

10.1

Summary:

(The writer is president of the Iwaki Cement Company.)

We often hear of such complaints as "The concrete will not harden," "It takes five or six matches to light a cigarette," or "Stockings today have holes after wearing them only a couple of days." Quality is not stressed in domestic products, and our foreign trade was suspended just at a time when the quality of Japanese export goods was being improved as the result criticisms on the international market.

The policy of "the cheaper, the better" gave rise to carelessly manufactured goods. We should have had enough experience by now not to repeat this error. It is only proper that we reduce the cost only after we succeed in producing superior goods. Moreover, if we take into consideration that our industrial technique made no progress during the ten years of war, the problem of quality and quantity acquires a more serious significance.

I will briefly explain the relationship between quantity and quality, taking the figures on our cement industry as an example. The planned production goal for this year is 2,000,000 tons. This can be produced if 566,000 tons of coal with the prewar caloric content of 6,500 calories are supplied. If this cement is of the same prewar quality, with it, 125 city blocks comparable to that on which the Marunouchi Building in TOKYO now stands can be built. However, in the case that the same quantity of coal which contains only 5,500 calories is supplied, the cement produced decreases to 1,370,000 tons, while its quality also deteriorates to an extent where only 65 similar blocks can be built.

In short, even though the same amount of coal is supplied, the utility value of the cement produced will decrease 50 percent if the caloric content of the coal used drops 15 percent. Such is the magic involved in the relationship between quality and quantity.

However, the fact is that we are not headed toward "superior quality." Why is it impossible for us to follow this natural course of production? It is because the Chinese Incident broke out just as the quality of our goods was being improved: economic controls were devised and stress was placed on quantity in production. Thus, the problem of quality became of secondary importance, and we entered the "age of substitutes."

Such a trend prevailed even in the matter of personnel. A planned number of workers was employed, irrespective of skill or diligence. Moreover, after the defeat, the tendency to ignore management has even caused a decline in the quality of work under a eight-hour day system.

If our businessmen want to make a fair profit, they must take the initiative in solving this problem. Happiness is born of superior quality and abundance. Now is the time for us to adopt superior quality as our goal and make a fresh start.

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ECONOMY

116.1 Many journals discussed the closely related issues involving the settlement of the wage problem and the urgency of administrative readjustment. Writers agreed that curtailment of government personnel should be considered simultaneously with the wage issue, inasmuch as readjustment of the federal structure would help to reduce the Government's financial difficulties. BOCHO SHIMBUN (Yamaguchi, 8 Nov), for example, declared that sound finance could not be established unless readjustment were effected resolutely. Attributing the increased number of federal workers to the institution of various economic controls which necessitated more employees, the editorialist urged removal of controls and simplification of the administrative set-up. If this were done, it would not be necessary to devise new sources of revenue for the supplementary budget, concluded the paper. SAGA SHIMBUN (Saga, 12 Nov) agreed that supernumeraries should be weeded out by thorough rationalization. The writer opposed the Administration's reported plan to raise freight charges, communication rates, and tobacco prices to secure funds for the wage increase. Concurring, KOBE SHIMBUN (Kobe, 11 Nov) said that readjustment was imperative because it was impossible to maintain 2,700,000 employees under current economic and social conditions, while HOKKAIDO SHIMBUN (Sapporo, 11 Nov) emphasized that various issues stemming from wage problems could never be eradicated in the absence of federal rationalization. Claiming that it was irrational to deliberate on the new wage level without considering administrative readjustment, SANGYO KEIZAI (Osaka, 11 Nov) reminded the people not to consider the wage issue as an insignificant problem affecting only the livelihood of the federal workers, since the general public would have to bear the burden through increased taxes.

27. NOV. Criticism of the Government's rejection of the Temporary National Personnel Committee's proposal for a 6,307-yen wage base for federal employees was widespread, as writers demanded settlement of the question before dissolution of the Diet. SHINANO MAINICHI (Nagano, 11 Nov) feared that the Administration refusal to accept the "reasonable" recommendation would "mar the Committee's prestige" and create difficulties in the effectuation of the National Public Service Law. The journal joined CHIBA SHIMBUN (Chiba, 13 Nov) in warning the Cabinet not to dissolve the Diet for "political expedience" and neglect the interests of the masses. CHUBU NIPPON (Nagoya, 11 Nov) said it was incumbent upon the Government to present convincing reasons for its rejection of the Committee's proposal, and admonished that unless more definite policies were devised, the wage problem could never be resolved. The dismay of the Administration toward the Committee's recommendation was "clearly indicated in its hasty statement asking for further consideration," according to KYOTO SHIMBUN (Kyoto, 10 Nov). If the Government delayed its decision, it was feared that movements by labor unions would become intensified. Another editorial in the same journal (11 Nov), predicting that the wage proposal would cause extensive political repercussions, called on the Cabinet to "face the issue squarely to avoid trouble."

Medium Enterprises

110.1 The financial difficulties confronting small and medium enterprises were underlined by provincial writers. EHIME SHIMBUN (Matsuyama, 9 Nov) and CHUBU NIPPON (Nagoya, 20 Nov) directed attention to the hardships encountered by the industries in securing adequate financial assistance. The first-named journal, noting that the fiscal embarrassment of the enterprises was entering the "decisive stage," said that minor industries desired a system whereby they can "readily obtain necessary funds without having to go through complicated procedures." The writer thought that the most effective way to cope with existing monetary problems was to make available "long-term loans from city banks." Due to allegedly unfavorable credit regulations, according to the Nagoya editorialist, medium enterprises were forced to depend on the blackmarket for "almost half of their funds and materials." The paper stressed the need for reviewing the credit condition and for mitigating the money market.

In another editorial (7 Nov), EHIME SHIMBUN declared that heavy taxation, suspension of payment of subsidies, and price increases had aggravated the financial problems in medium enterprises. Furthermore, the projected revision of the wage standard for government employees was expected to affect private industry and the price structure. The writer believed that even an indirect increase in prices would create a dearth of operational funds in minor industries, and maintained that wage and price policies on a broad basis would result only in favoring big enterprises, unless they were accompanied by effective measures for medium industries. Similarly, SHOKO KEIZAI (Nagano, 22 Nov) underscored the need for reasonable measures to cope with the various problems stemming from changing economic conditions.

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ITEM 9 Economic Control Based on People's Choice (By Goto, Yonosuke) - Provincial Paper: Sanyo Choho (Okayama) - 21 Nov 48. Translator: H. Furukawa. (TK)

110.1

Summary:

(The author is staff member of the Economic Stabilization Board.)

The Japanese people, who have long been accustomed to the economy of scarcity, believe that any commodity once put on sale can find ready demand, irrespective of its quality. Recently, however, this belief has been discredited by various events, and this is a fact which merits attention.

Many homes have recently become reluctant to receive rationed foods and goods, such as sweet potatoes and briquettes. More than a million tons of coal, which was once badly needed by factories, are said to remain unsold. In rural districts, farmers are reported reluctant to buy the rationed amount of fertilizer which exceeds 5.5 kans (45.49 lbs) per tan (0.245 acre). The prices of many commodities on the blackmarket have sagged even below their ceiling prices, and such commodities as radio sets glut the market.

One reason for these phenomena undoubtedly lies in the decline of purchasing power due to the high prices of commodities and the regulation of money market by the Government and banking institutions. Another reason is that the people have become cautious in buying goods because of the relatively abundant supply of necessities.

In spite of the fact that choice of goods by consumers and competition among producers are the basic principle of capitalistic economy, these practices have been abandoned in our country because of various circumstances. However, with the increase in the supply of goods, the practice of these fundamental principles is showing a revival.

The control of consumer goods, which is embodied in the rationing system, is most unwelcome, even in a society of socialistic economy, because it ignores individual tastes. Moreover, it causes a great loss to nation's economy by rationing equal amount of goods to all people irrespective of their needs. It is, however, almost beyond human ability to produce a perfect system of distribution. For this reason, some people assert that economic controls should be done away with as far as circumstances permit.

Under the present condition of our country, control of prices and distribution of foods and staple commodities is still necessary in order to balance the demand and supply. So long as the control of staple goods is required, there can be no laissez faire policy, in the fullest sense of the term, so far as consumer goods are concerned.

Considering the recent trend of national economy, however, it is necessary to supplement controlled economy with the principle of choice of consumers and competition among producers. "Compulsory economy", which regulates production, distribution, and consumption through the quantitative method, has already come to its limit because of the lack of administrative power and efficiency. "Guided economy", which stands on price control by the state and readjustment by the free will of the people, will, therefore, be the new form of Japanese economy hereafter.

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ITEM 16 Distinguished Services in Industry and Culture - Mainichi - 22 Nov 48. Translator: U. Futonaka. (UG)

110.1

Summary:

Government experts have recently made great achievements in the industrial field. Most meritorious is the successful location of underground streams by the use of electricity. Another is the artificial incubation of herring.

Owing to the successful location of underground streams by electricity, it is reported that a total of 80,000 Chobu of land (one Chobu equals 2.45 acres) not cultivated because of the water shortage are now assured of reclamation.

The large-scale incubation of herring and the mass release of young herring for which the Hokkaido Fisheries Experimental Station is given credit, are expected to bring big catches of herring in the future. Despite some opposition to this practice, herring fishing, which had been at a standstill at one time, became active about four years ago, and has since realized an average annual haul of 200,000 Koku.

Another outstanding innovation in fishing is the use of fluorescent light to attract fish, which has been perfected by experts on the staff of the Nishina Research Office of the Rikagaku (Physics and Chemistry) Research Institute. It is said that experiments have proved that catches made using this method are two or three times larger than those made under with ordinary methods.

Similar cases might be cited, but our aim is to draw attention to the distinguished services rendered by the researchers and the gratitude which the people and the Government owe them.

Patent rights are obtainable for industrial inventions; and through industrialization both the inventors and the general public benefit. However, such benefit can hardly be enjoyed by the inventors of the new water location technique or by those whose efforts made possible the mass release of young herring.

Inventors and researchers of this type may be content with their achievements alone. This, however, does not warrant the people's indifference to their great services.

It is fitting that Culture Orders be awarded artists and men of letters in appreciation of their achievements. However, a cultural nation should not stop at this alone.

The people are reminded that industrial development represents the greatest cultural accomplishment and deserves their profound interest and respect.

ITEM 8 Consumer Demand May Sway Producer Goods Allocation - Nihon Keizai - 2 Dec 48. Translator: T. Ukai. (JTK)

110.1

Full Translation:

Consumer demand may soon play a role in determining what goods are to be produced and in what quantity. As a means of letting consumers select goods they require, the Economic Stabilization Board is likely to introduce a new standard for allocating designated producer materials. In the past, production material were allocated according to each company's (1) output, (2) equipment and capacity, (3) unit and (4) quality. To this may be added the amount of consumer demand, excluding, of course, such portion as it is technically impossible to calculate. With the expected settlement of the foreign exchange rate in the near future, the Board is being pressed for measures to concentrate production and eliminate the sluggish production now prevailing. However, this requires an energetic administrative power. The new standard was devised for the dual purpose of satisfying consumers by enabling them to select goods they want and at the same time of promoting business rationalization within the limits of the Board's power. The defects of the new standard, it is pointed out, are that the demand for certain goods will be difficult to ascertain and that the allotment of production materials will be delayed while demands for goods are being computed. However, since the application of the new standard seems possible for a majority of the designated production materials such as machinery, the Trade Board intends to systematize its original policy of incorporating consumer demand in determining the allocation of production material.

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ITEM 3 Heavy Industry Is Japan's Hope for Recovery - Sekai Keizai - 30 Nov 48. Translator: G. Nagatani. (JTK)

1181

Summary:

JAPAN's economy is now being prepared for a new start in anticipation of fresh developments in the American aid program. Some optimistic speculators are counting on a drastic change in the American Asiatic Aid policy as a result of the recent presidential election, while others are maintaining a cool and reserved attitude.

The Marshall plan for Western EUROPE is no doubt a major factor in the recent remarkable recovery of Western GERMANY. The conviction is becoming stronger that the reconstruction of JAPAN into an industrial workshop of Eastern ASIA depends on the extensive application of a Marshall plan for the FAR EAST. Significance lies in the five year Asiatic recovery plan involving a gigantic investment of $13,600,000,000, announced by the Far East Economic Council of the UN. This program calls for the Asiatic nations to raise 6,400,000,000 dollars by themselves and the balance of 7,200,000,000 dollars to be contributed by the UNITED STATES and other nations. Highlights of the program are given as follows:

1) Transportation: 5,200,000,000 dollars, more than one-third of the total amount, is allotted to transportation. The fact that greater importance is attached to this item for ASIA than for EUROPE shows the far-sightedness of the planners in recognizing the actual needs in the under-developed countries.

2) Electricity: $1,800,000,000 is assigned for the development of 2,500,000 kilowatts of hydro-electric power, including program for opening canals for navigation and irrigation.

3) Steel: Steel production will be raised from the present 1,300,000 tons to 4,000,000 tons largely through the opening of untapped resources in INDIA and CHINA.

4) Spinning industry: 1,900,000,000 dollars is provided for this industry in general, largely for the purpose of adding 10 million spindles for cotton spinning.

5) Fertilizer manufacturing: 900,000,000 dollars is allotted to increase the production of various chemical fertilizers, including a ten-fold increase in ammonium sulphate output.

6) Coal, etc: The program for this field, while only a desk plan, is of vital importance to this country as an indication of the future trend of Asiatic economy.

The most noteworthy point in the whole plan is the temporary exclusion of CHINA due to her internal strife. Secondly, although there is no specific scheme to expand JAPAN's industry, funds will be appropriated for the best interests of ASIA as a whole with the assurance that JAPAN will receive food and raw materials from other Asiatic countries. Thirdly, the program calls for a full mobilization of JAPAN's industry for the production of heavy machinery to aid Asiatic development, such commodities as building materials and heavy machines for railroads, shipyards, electric power, spinning, etc. Of course, there is no certainty as to when this will be realized, but with some possibility of endorsement of some such program by the American Government, the chances of materialization are not altogether hopeless. JAPAN's hope for rehabilitation no doubt lies in export expansion, and the United Nation's program indicates the path that JAPAN's industries should follow.

JAPAN's present export concentration on textiles is already deadlocked. The internal rationalization of industry alone is not sufficient to open the door, and the encouragement of the export of heavy industrial products is considered essential. For this purpose the steel production program has been stepped up. This move marks a historic turn in JAPAN's export policy, which might at some future date prove to be a timely hit in case the Marshall plan is applied to ASIA.

The present shortage of steel production all over the world is believed to be almost chronic, and experts prophesy no marked change in the supply situation for the near future. Just as Western GERMANY's quick recovery was bolstered by the Ruhr industry, JAPAN's recovery may be realized by the full operation of the YAWATA, TSURUMI, and HIROHATA works.

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ITEM 12 Visible Signs of Economic Recovery - Provincial Paper: Gifu Times (Gifu) - 23 Nov 48. Translator: Seki. (TK)

110.1

Summary:

In reviewing the recent trend of our economy, we see signs everywhere of anticipating practical American economic aid. A more thorough study of the situation shows that Japanese economy is shouldering the great responsibility of contributing to the recovery of ASIA.

Among these signs the first is the remarkable record in production. According to recent statistics the mining industries now exceed the 50-per cent production mark of the prewar level. Production increase in comparison to last September are: coal 12.5 per cent, electric power 10.3 per cent, pig iron 30.6 and steel 19.4 per cent.

Though these figures are encouraging, we cannot be over-optimistic. There are some who even hold the pessimistic view that these favorable trends of production might not continue till the coming spring, considering the labor offensive and especially the unstable supply of electric power during the winter season.

As Governor ICHIMADA, of the Bank of Japan declared, this is the best chance to execute the rationalization of industries, the stabilization of wages, and administrative readjustment.

If the Government, management, and labor can turn this trend successfully to the right channel, a single exchange rate might be fixed and a drastic check on inflation might begin next fall.

We hope that the Government will faithfully follow the three fundamental economic policies recently made public: the suppression of loans to cover deficits, stoppage of government subsidies to balance commodity prices, and suspension of revision of the official commodity prices. We anticipate the public will vote for the party which holds true to these economic policies. In this connection we should not fail to note that production recovery is mostly due to American aid.

Management and labor have cooperated in spite of many disputes to bring about this favorable trend, and it is gratifying that the supply of raw materials from the US is making smooth progress. Secondly, the stress in export trade will be placed especially on steel and iron products in the future. It is argued that the past export policy of placing undue importance on textiles is a mistake, because old customers like CHINA and the other Oriental countries are now facing economic rehabilitation and inflation and need production materials more than consumer goods such as textiles.

The production materials such as steel and iron products, lumber, cement, etc, are essential for the economic recovery of JAPAN as a matter of course. But for the purpose of overcoming the present unfavorable situation of the export trade and securing the balance of import and export as far as possible, some of the essential materials for our recovery will have to be exported, though it may eventually retard our five-year economic recovery plan.

If the above measures are successfully carried out, JAPAN's contributions to the recovery of ASIA will be rightfully recognized; American economic aid will surely be accelerated, and the 50-per cent increase of credit to JAPAN will be realized, as quoted by Mr DRAPER recently.

The Government, management, and labor should fully understand the importance of the present economic situation of JAPAN and seize the chance of turning export trade favorably.

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ITEM 7 Revival of Commission Agency - Provincial Paper: Kyoto Keizai Shimbun (Kyoto) - 18 Nov 48. Translator: E. Sato. (TK)

Summary:

The problem of revival of commission agency has recently become a subject of public discussion.

During the war, commission agents disappeared as a result of economic control. After the war, with the decrease in purchasing power, the medium and small enterprises found that it was necessary for them to attach more importance to the quality than the quantity of their goods, and to enlarge the market for their products. It is natural that they are crying loudly for a revival of commission agency with the nation leaning toward free economy.

Formerly, commission agents made it a rule to haggle the producers as much as possible about the prices of their goods and speculate on the market. They disregarded the positions of producers and consumers and were merely concerned with their own interests. They wielded great influence over both the production and consumption fields.

The function of a commission agency is to guide the producers in producing the quality and kind of goods demanded by the consumers and to aid in satisfying the consumers' demand by acting as the middleman between the producers and consumers. It also must bear risks accompanying the transactions of goods and adjust prices.

Commission agents must give full attention to their function. Formerly, medium and small producers engaged in joint stocking and sale in rivalry with commission agents, but failed to realize the anticipated result. In view of the present position of medium and small enterprises, it is clear that the problems between commission agents and medium and small entrepreneurs will not be settled easily. It is also beyond doubt that the limit of the commission agency system will be decided according to the economic power of all the medium and small enterprises.

ITEM 7 ESB Presses for Settlement of Coal Power Wage Disputes - Kogyo Shimbun - 2 Dec 48. Translator: H. Akutsu. (UG)

Full Translation:

The Economic Stabilization Board has decided to speed up solution of the wage problem in line with policies set down in the recently-drafted supplementary budgets. Preparations are being made to put into effect from December a 20 percent increase in electricity rates which was necessitated by the revision of wages for electric power workers.

The policies follow:

1. The JAPAN Electric Power Workers Union shall accept the 7,605-yen wage standard as suggested in the CLC mediation plan. It is expected that the total of 3,300,000,000 yen required to meet the wage increase will be financed by 900,000,000 yen in government subsidies, 800,000,000 yen to be raised by business efforts, and 1,600,000,000 yen through increased electric rates. The increase in rates is expected to be enforced in December while new wages will be paid as from October in accordance with the compromise plan.

2. The wage standard for coal miners is expected to be raised to the 5,600-yen level, and for meeting the wage raise, a subsidy of 2,400,000,000 yen is expected. Though it is feared that the coal miners unions will not be satisfied with the new wage standard, the Government urges that coal miners raise their wage level through increasing production. The Government, determined to make the coal miners unions accept the new wage level, is expecting to enforce the wage increase as from November.

3. Twenty-six billion and two hundred million yen was appropriated for the increase in government employees wages. Through the wage revision, the 3,790-yen level will be brought up to 5,330 yen. Though there are comparatively wide differences between wages for power workers, coal miners, and government workers, it is contended that they are unavoidable due to the past wage differences accorded to respective occupations.

In addition to the subsidies to the electric power and coal mining industries, an appropriation of 700,000,000 yen was set aside for the metal, spinning, and other industries.

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ITEM 16 Lack of Objectivism - Provincial Paper - Chuka Keizai (Nagoya) - 22 Nov 48. Translator: R. Shibata. (TK)

(10.)

Summary:

It would be an ideal economic situation if individual economic activities, motivated purely for personal gains, result in economic harmony and a healthy development of national economy. However, in a country like JAPAN under her present critical economic condition, it is undeniable that the interests of a nation should supercede that of the individual, because individual economy cannot prosper where national economy is devastated. It is only natural then that the Government asks the people for self-reflection and co-operation.

Everybody should think and act from a broader point of view instead of adhering to his immediate interests alone. In actuality, however, the Japanese people seem to lack objective propriety in their speeches and behaviours. Perhaps, this may be due to their low intellectual and moral standard or the severe economic austerity of present-day JAPAN.

For instance, workers may have the right to demand wages which would guarantee them at least a minimum standard of living. But there must be a limit on their demand: that is, wages should be paid within the limit so that the continued existence of the company is not jeopardized. Even such a simple rule is not observed at present. Under the present inflationary stage, a greater number of companies are actually sufferring losses even if ostensible profits are recorded in their books. If wages are raised despite this fact, it is evident that many companies would run into bankruptey.

Viewed from the standpoint of national economy, an increase in nominal wages not accompanied by increased production merely contributes to a further rise in prices that will upset the effect of wage increases. Even if production is increased, an increase in nominal wages in a larger proportion than that in production would not only promote inflation but would result in the gradual exhaustion of industrial funds through excess consumption. For this reason, any demand for higher wages without regard to this fact lacks objective rationality, even if it comes from the desire to better the present difficult livelihood.

Taking up the government workers' wage base issue, for instance, the 6,307 yen base proposed by the Temporary Personnel Committee may probably be reasonable from the viewpoint of an individual livelihood. At the same time, however, the relationship between the total wage amount and national finance should naturally be taken into consideration. In view of the present national finance, which in no way can be called sound, an additional financial burden of huge wage expenditures should be considered utterly beyond its capacity.

Since the long-range revision of the wage base collides with the policy of maintaining sound finance, the only remedy is to effect a drastic administrative readjustment. Although it entails an unemployment problem, this step, along with the rationalization of control, will certainly brighten economic circles. It does not make sense to oppose an administrative readjustment while demanding a revision of the wage base.

The same phenomenon - lack of objectivism - can be seen among entrepreneurs as well. Although some entrepreneurs apparently believe that economic recovery is possible through increased production only if industrial funds are sufficiently supplied, they neglect to render due consideration to the fact that an excessive supply of funds spurs inflation, which in turn will result in retarding JAPAN's participation in world economy.

Those who are bent on raising official prices through political activities are likewise to blame for their lack of understanding that such a step not only serves to aggravate inflation but brings about difficulties upon themselves when the purchasing power of the public dwindles. Further, it would finally place them on a relatively disadvantageous position when the exchange rate is fixed.

I demand that the people, both labor and management, think and act from a broader viewpoint to reconstruct the national economy as a whole while endeavoring to overcome their current individual difficulties.

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ITEM 10 RFB Loans Increase 5.4 Billion Yen in October - Kogyo Shimbun - 30 Nov 48. Translator: M. Sameshima. (JTK)

Full Translation:

RFB loans at the end of October numbered 5,845, and amounted to 97,358 million yen, showing an increase over the previous month of 485 loans valued at 5,407 million yen. The mining industry holds first rank among industries receiving loans, with an increase of 1,476 million yen, and the electric industry comes next with 1,126 million yen.

Individual loans of more than 50 million yen numbered 172, for a total value of 79,570 million yen. The increase of loans during the month reached 4,000 million yen. The loans classified by industry, by district, and by amount are as follows: (Unit = one million yen; figures in brackets represent number of loans)

1. By Industry
   (A) Equipment funds - Mining (563) 24,925, coal (326) 2,328, textiles (665) 238, metal (118) 60, steel (28) 31, machinery (578) 1,149, ceramics (132) 217, chemical (489) 5,862, fertilizer (60) 3,508, electric (16) 9,026, gas (4) 4, fishery (761) 4,294, traffic (450) 4,324, others (696) 1,189, and public corporations (2) 4,473. Total (4,474) 48,457. Increase in comparison with previous month (80) 4,900.

   (B) Operating funds - Mining (296) 16,541, coal (34) 14,857, textiles (35) 23, metal (95) 2,017, steel (44) 1,719, machinery (527) 3,298, ceramics (40) 130, chemical (111) 1,876, fertilizer (33) 1,361, electric (3) 3,377, gas (0) 0, fishery (19) 33, traffic (7) 50, others (229) 570, and public corporations (9) 10,977. Total (1,371) 38,900. Increase in comparison with previous month (5) 506.

2. By District
   TOKYO (2,255) 68,665
   KOBE (249) 1,496
   NAGOYA (400) 2,231
   FUKUOKA (570) 12,138
   SENDAI (511) 1,455
   HIROSHIMA (376) 3,309
   SAPPORO (313) 1,887
   NIIGATA (63) 181
   TAKAMATSU (291) 705
   FUKUSHIMA (57) 83
   OSAKA (674) 4,623
   Total (5,845) 97,358

3. By Money Amount
   (A) Equipment funds.
   More than 50 million yen (114) 44,289, between 10 and 50 million yen (333) 6,956, between one and 10 million yen (2,064) 6,018, less than one million yen (1,963) 1,193. Total (4,474) 58,457.

   (B) Operating funds.
   More than 50 million yen (58) 33,284, between 10 and 50 million yen (71) 1,710, between one and 10 million yen (423) 1,199, less than one million yen (819) 706. Total (1,371) 38,900.

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ITEM 10 Measures for Medium Enterprises - Tokyo Times - 30 Nov 48.
Translator: M. Ohno. (TK)

(10)

Summary:

The medium and small enterprises, which have small capitals and are in a difficult plight to obtain loans and raw materials, are now being harassed by the problem of how to tide over the coming year-end.

During the war, the majority of these enterprises were forced to change their trades. Subsequent to the termination of war, some of these enterprises obtained unexpectedly large profits through blackmarket transactions, while others engaged in small-scale industries, taking advantage of the rise of foreign trade. Thus, a bright prospect was in store for these enterprises.

However, under the present situation in which inflationary conditions still exist, although postwar confusions have been gradually brought under control, these enterprises are undergoing changes. But they still have to depend upon raw materials floating on the blackmarket and they yet have no privileges to contract loans with financial institutions. It is only natural for the Bank of Japan to refuse year-end loans to such eaterprises which engage in blackmarket transactions. And yet medium and small enterprises will inevitably be ruined unless they resort to the blackmarket.

Moreover, tax problems and the revision of the Economic Rehabilitation Program further menace the future of these enterprises. Due to the decision to assess corporation business tax, the general public through higher prices and especially medium and small entrepreneurs will have to shoulder heavier burdens. Thus, it is widely said, that some of these enterprises will be ruined by the revised tax system.

On the other hand, it was decided, with a view to expedite the independence of the nation's industries, that priority will be placed on heavy industries and industries producing productive materials. As a result of this decision, the medium and small enterprises will be left behind the progress of other industries.

From such a point of view, it is imperative that some measures through which the medium and small enterprises will be able to contract loans easily with financial institutions should be established.

A demand for the prompt establishment of year-end financial measures for medium and small enterprises was presented at the gubernatorial conference held the other day at KYOTO. Thus, it is to give serious and sincere consideration toward the future of medium and small enterprises.

ITEM 17 Stable Economy and Survival of Fittest - Nihon Keizai - 3 Dec 48.
Translator: J. Wada. (WM)

(10)

Summary:

The Government is taking such steps as relaxation of the regulations on bank lending and the speeding up of government payments in order to deal with the problem of fund shortage which is becoming more and more serious as the year draws to an end.

However, the situation which is indicated by the phrase "money shortage" is not always the same. Some enterprises are suffering from shortage of funds owing to mere failure to collect bills, while some are suffering because of unsound management. If loans are granted recklessly to the latter category of enterprises, enterprise rationalization, which has just begun, will be discouraged. In order to effect economic stabilization, it is absolutely necessary to place enterprises on a rational basis and to liquidate unsound enterprises. Only sound and efficient enterprises can exist any longer.

Survival of the fittest is the fundamental principle for economic and social progress. Heretofore, however, the fit have not always been the more prosperous. This is a result and, at the same time, a cause of unstable economy. If economy becomes stable, the good will be clearly discriminated from the bad. Economy cannot be stabilized without so discriminating.

The principle of survival of the fittest applies universally. Taking wages as example, the existing wage system under which diligent workers receive the same wages as idle ones will be replaced by a system which stresses efficiency. Further, when a reduction of personnel is necessary for rationalization, it is natural that idle workers will be dismissed before diligent ones. Then economy becomes stable, it will mean that the rule of survival of the fittest has begun to work.

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ITEM 3 Small Manufacturers and Unions (Terada Mitsugu) - Magazine: Atarashii Sekai (Monthly) - Nov 48. Translator: T. Osame (SS)

1104

Summary:

Today, as our small and medium manufacturers head toward collapse, and over-production already looms to threaten some of them, in trying to find the easiest solution to their problems they plot to tide over the crisis by sacrificing their workers. They scheme to buy off labor union officials, and with their help, force workers to accept low wages and dismissal. If the labor union is strong and its staff above corruption, such employers dismiss or lay off workers, giving as the excuse, negligence or irregularities while on duty.

It is when the labor union is so powerful that it is able to repulse pressure exerted by the management that the smaller manufacturers most keenly feel how disadvantageous the governments' smaller enterprises policy is to them. And the only recourse they have to surmount the crisis is to cooperate with the labor unions. The trend towards the materialization of such a situation is widely seen among the small and medium manufactures today.

Labor unions affiliated with small manufacturers must perform a function which differs from that of large enterprises. Since most of the smaller enterprisers maintain illegal connections with government authorities and harbor the desire to stay on their feet even if they must accept subordination to banking capital,

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the guidance and cooperation of their labor unions are of vital importance in getting them to mobilize to fight monopolistic capital and the government, and cooperate with the workers for the materialization of the independent rehabilitation of production and a people's democracy.

For this purpose, tactics which conform to these pecularities must be used and policies and activities of these labor unions must encompass a wider scope and be more political in nature than in the larger enterprises.

Points of Consideration

Today, these labor unions must take the following points into consideration;

(1) Labor unions should refrain from demanding large wage increases which might threaten the existence of their enterprises.

(2) Labor unions should carry out the thorough democratization of enterprises such as the publication of the company's financial condition while taking pains not to embarrass the management.

(3) Labor unions should focus their attention on production programs, wage agreements and increasing production.

(4) After funds necessary for the development of the enterprise are first deducted, the remainder of the profit should be divided between the entrepreneurs and the workers according to a labor-capital agreement.

It is an important prerequisite that, in realizing such a capital-labor cooperation, the labor unions must be strong and lead these smaller enterprises, for otherwise they will become mere tools of the employers.

Today, the smaller manufacturers totter on the brink of financial collapse due to difficulties in obtaining loans and materials and the small demand for their goods. Under this critical situation, to adhere to the sole objective of attacking management will result in irreparable harm. The labor unions must persuade the employers to cooperate with them in protesting against this situation and in negotiating with the banks and government offices.

Union Movement for Loan

When the Toyo Communication Instrument Manufacturing Company in KURIHASHI, SAITAMA Ken, was forced to close its plant due to financial difficulties, its labor union immediately initiated a movement to demand loans from the Hypothec Bank and finally, with the support of the people, it succeeded in obtaining a loan of 3,000,000 yen. This clearly indicates that the labor union movement is developing from union activities alone into one of general concern. It also indicates that people, especially small merchants who are now being reduced to poverty, have come to realize the following facts:

(1) That the main cause behind their reduced circumstances is the decline in public purchasing power due to the worker's low wages.

(2) That in this respect, the people have interests in common with the workers.

(3) That, therefore, in order to protect their own livelihood, the people must fight financial capital and government authorities in cooperation with the workers.

The labor unions of the small and medium enterprises are now charged with a new mission of establishing a Smaller Business Protection Committee which will protect the interests of the small

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manufacturers against the pressure of monopolistic capital, bureaucratic control, introduction of foreign capital, etc. The road to a united labor front and a democratic racial front is being paved with such activities by the labor unions.

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ITEM 5 Reinforce the ESB - Chuka Nippo - 25 Nov 48. Translator: S. Yokoyama. (TK)

1101

Summary:

Already a month has elapsed since the formation of the Yoshida Cabinet and yet the director-general of the ESB has not been appointed. Reflecting the indifferent attitude of the Cabinet, the activities of the ESB has nearly come to a standstill. The inherent weakness of the Yoshida Cabinet is clearly revealed by this fact.

The final objective of the ESB is the gradual establishment of a new economic setup befitting a peaceful JAPAN. Consequently, the ESB is charged with the formulation of a basic over-all program for the nation's economic recovery. However, to cope with the various problems arising from time to time with the changing circumstances, the ESB has also been entrusted with the task of establishing temporary measures.

The staff members of the ESB devoted themselves to accomplish these two important tasks. The period when WADA Hiroo was the director-general, with TSURU, YAMAMOTO, and INABA as his assistants, was the golden age of the ESB. It was then that voices were raised against the despotic control of the bureaucracy by the ESB. However, this fact may be construed as enthusiasm by staff members in performing their duties.

Inasmuch as scientific economic plans based on accurate data had been lacking in Japanese officialdom in general, the ESB could naturally gain strong influence. Needless to say, the Board has committed various blunders and was bureaucratic in its execution of plans. Nevertheless, its scientific system of formulating programs based on realities and its genuine sincerity in carrying them out promised much to the Allied Powers. Since such scientific attitude conflicted with the feudalistic ideas prevailing in the political and bureaucratic circles, it was natural that the ESB became the target of criticisms and intrigues.

With the formation of the Yoshida Cabinet, the ESB has rapidly become inane. With the arrest of its director-general in connection with the political scandal, the general public has lost confidence in the ESB. There is even a prevailing rumor that its days are numbered. Such a situation must not be tolerated.

It is often said that the Democratic Liberal Party is the least inlelligent of all the Japanese political parties. Although it advocates such planks as the reopening of the eating and drinking establishments and the abolition of the transactions tax to invite the good will of the people, it lacks concrete plans of executing them. It is feared this lack of scientific attitude by the Yoshida Cabinet will endanger the future Japanese economy. In this connection, the reinforcement of the ESB must be reconsidered. It must be entrusted with the task of endorsing the cabinet policy scientifically and in connection with world economy.

Although the economic situation has improved somewhat with the recent favorable turn in the food situation and a little increase in production, JAPAN's economy is still in critical condition. The crisis cannot be tided over without a firm determination and concrete policies. It is imperative for the Government to reconsider the reason for the existence of the ESB and take proper measures to activate it.

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ITEM 6 Revision of the Economic Rehabilitation Program - Provincial Paper: Sangyo Keizai (Osaka) - 22 Nov 48. Translator: H. Arai. (TK)

Summary:

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The Economic Rehabilitation Planning Committee appears to have begun study of the fundamental principle of the Japanese economic rehabilitation program which was worked out last August. From the discrepancy between the figures established in the program and the actual economic conditions, the difficulty in predicting the probable course of the economic situation in the future, changes in the objective circumstances, and the mental relief of the economic circles due to the recent relaxation of the economic decentralization directive, the readjustment of the economic rehabilitation program is advisable and necessary. The problem is what concrete measures the Yoshida Cabinet will take under the current complicated circumstances.

Though the goal of foreign trade was set at more than 600,000,000 dollars and 1,800,000,000 dollars for 1949 and 1953, respectively, in the original program, it will reach no more than 400,000,000 dollars at most, judging from the actual result of exportation for this year. It is very difficult to attain the planned goal. Accordingly, in revising the economic rehabilitation program the Government gives vital consideration to the methods of adjusting the plans to increase exports, develope agricultural and manufacturing industries, and elevate the people's standard of living.

However, since the basic aim of the revision is to improve the people's livelihood, it is meaningless to revise the people's standard of living merely on account of the difference between the economic realities and the figures established in the program. For this reason we call upon the Government to give vital consideration to the following points as fundamental requisites for the revision of the program.

(1) The economic rehabilitation program must be based on non-fractional and "strictly-cabinet" ideas. If the basic principle of the program changes with the change in government, the program cannot be realized.

(2) The people should participate in designing and carrying out the economic rehabilitation program. The real situation has been that the Economic Stabilization Board was apt to force its dogmatic policies upon the people. The people did not cooperate with it and the actual results of the policies differed from the realities. Only when the Government compositely investigates a plan devised by the people and understands their real ability demonstrated in the plan can the plan become the people's; only then will the people support it. We hope the Government will induce the people into revising the economic rehabilitation program.

(3) State administration must follow the times. The rehabilitation program should not be influenced by party interests. Simultaneously, State administration itself must be adjusted in case it is separated from the times. However the economic rehabilitation program may be readjusted this time, it is meaningless unless State administration is changed, especially in industrial administration. Full scope should be given to the flexibility of State administration in order to increase exports and agricultural production and, thereby, obtain funds for Japanese economic recovery.

(4) The people's cooperation is indispensable. Under the present circumstances where the stabilization of wages and the curbing of inflation still remain uncertain, it is very difficult to obtain the people's cooperation in carrying out the program. But no policy will work without this cooperation. The Government should take every conceivable measure to eliminate obstacles which will prevent the people from understanding and cooperating with the Government.

The foregoing are our fundamental demands in regard to the revision of the economic rehabilitation program. The Government should exert utmost efforts to establish an opportune groundwork for JAPAN's economic rehabilitation without paying any regard to party policy and interests.

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ITEM 6 Production Materials Exceed Demand - Nihon Keizai - 26 Nov 48. Translator: M. Sameshima. (SS)

1101

Full Translation:

Overproduction is seen in certain of the designated production materials, including coal, cokes and dyes. This is a phenomenon which has become especially apparent since the price revision in July. Industry attributes this trend to the monetary stringency among consumers and the surplus stock of poorer grade goods. They further hold it to be an abnormal condition in supply and demand and indicative of the unsoundness of enterprises. It also indicates the unreasonableness in the blanket application of the so-called three principles to enterprises. The following is a survey on the overproduction:

A. Coal: Half of the monthly 400,000 ton output of special coal has not been sold. Despite the fact that the effective term of the ticket issued for 31,900 tons was extended, only 6,300 tons were sold, while over half of the ordinary coal earmarked for October remained unsold.

B. Lignite: While the output in both August and September was about 150,000 tons, stored coal at mines and at railway stations amounted to about 350,000 tons. Because of this, the mines restricted the production of coal, and the prices of inferior coals dropped below official quotations.

C. Dyes: Reflecting the monetary stringency prevailing in the dye industry and the fluctuation in the international markets, the stocks in reserve reached 800 tons in August, 1,000 tons in September, and 1,000 tons in October, in contrast with the monthly output of 600 tons. The industry demands access to the domestic market as a remedy.

D. Coke: The coke in stock as of the end of September was 50,000 tons, which is in addition to the 35,000 to 40,000 tons held in reserve by the Public Corporation for possible readjustments because of the price revision and the extension of the effective term of the tickets. The Commerce and Industry Ministry is contemplating distributing this surplus to applicants. The amount applied for is 100,000 tons, and there is no indication that the supply is exceeding the demand.

However, it is natural that inferior coke will remain unsold and that the reserve stock will hence increase in October as it did in July.

E. Cement and Glass: Cement in stock was down to 120,000 tons in October, a figure slightly larger than the monthly production average, from the heretofore 280,000 tons due to the issuance of special tickets, increase in exports and seasonal demands. However, since the demand fluctuates, it is difficult to set an accurate allocation figure, and the reserve stock will increase unless there are more transactions with larger firms. The plate-glass stock will also not decrease since it is difficult to revise the allocation system.

F. Steel: A survey prepared by the Commerce-Industry Ministry as of the end of September of the 15 sales agents who handle 48 percent of the national output shows that the majority of the stock is in the form of rails for coal mines, which are also hard hit by monetary stringency. On the basis of this investigation, the steel stock in the hands of the sales agents throughout the country is estimated at 35,000 tons and valued at 400,000,000 yen, more than the sellers' fund amounting to 350,000,000 yen.

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ITEM 12 It Is Time to Aim High (By Takano, Minoru) - Rodo - 26 Nov 48.
Translator: H. Furukawa. (GS)

Summary:

As had been expected, the national convention of the National Congress of Industrial Unions ended in dissension. With all respect to the members of the Democratization League of the NCIU, who fought stubbornly against the violent agitation of the Communist faction, we deeply regret that the convention failed to expel the leftist element and that the Democratization League members had to secede from the NCIU.

We admire the gallant fight of the Democratization league members against the leftists because this was the first step towards isolating the leftist element in the Japanese labor movement.

Dissension in the NCIU national convention was due to the actual interests of the laboring masses, rather than to disagreement among the leaders. It is certain that the breakup of the convention will exert a great deal of influence upon the member unions and the laborers. Moreover, the industrial unions, which sympathize with the cause of the Democratization League, have learned many things as a result of fighting the Communist faction at the national convention, and this will stimulate the formation of a democratic front by all neutral unions who earnestly desire the unification of democratic labor unions. Besides, the resolution passed by the Communist-dominated convention showed that the Communists are mobilizing the unions under their control to take part in political struggle, that is, a struggle against the UNITED STATES.

We can now say with confidence that their denunciation of the Democratization League as being anti-labor is but a means of protecting their partisan interests. At the same time, however, we must admit that we have failed to make labor unions the loyal servants of the laborers.

The split in the NCIU and the movement for the formation of another NCIU, which is being planned by the Democratization League, must not be regarded with indifference. We must understand the theories of the leftist unions, and lead the common laborers towards voluntary labor movements.

Concrete aid must be accorded the Democratization League and its supporters, now fighting under adverse circumstances. It must be emphasized that the unification of all industrial unions, as planned by the Democratization League, depends on the extent of assistance which member unions of the Japan Federation of Labor Unions have rendered towards these industrial unions. We must exert efforts for the unification of all democratic unions, being confident that only our Japan Federation of Labor Unions is competent to perform this task. If we succeed, the leftist unions, which are under the control of the Communists, will soon be isolated and rendered powerless.

The enforcement of the so-called three-point economic program has direct bearing upon labor. A serious problem confronts the laborers in surmounting the difficulties arising from its enforcement.

JAPAN's labor movement is now confronted by a grave crisis because of the workers' economic difficulties and the antagonisms existing within labor circles. We must closely investigate the results achieved by the NCIU national convention and co-operate with the democratization movements now arising among the neutral unions. Also, we must devise some plan for reorganizing our Japan Federation of Labor Unions. Now is the time for all labor union members to aim high in JAPAN's labor movement.

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110.1

ITEM 2 PIRC Reorganization Plans Disclosed - Nihon Keizai - 22 Nov 48. Translator: H. Ihara. (DD)

Full Translation:

The Government has been striving to reorganize the Public Industrial Rehabilitation Corporation, from the viewpoint that the exploiting of new coal mines and power sources and the construction of transportation facilities for basic materials required by the Economic Rehabilitation Plan cannot be handled solely by private enterprises. Opinions vary from those advocating that the Corporation be reorganized into an enterprising governmental agency to those which call for an immediate reform or assert that the Corporation should be dissolved in favor of private enterprises. Developments are being closely noted, since they will spell the future of the Corporation.

The following two revision methods are now under consideration by the Government:

First Draft: A special State organ shall be established as a governmental agency engaging in business and shall be invested with more power than the existing Corporation. Present funds shall be increased so that enterprises may be managed thereby, and further necessary funds shall be raised by the National Treasury through the approval of the Diet.

Second Draft: The existing corporation system has a semi-official function and is more efficient than a bureaucratic system. However, a subject for consideration in the existing corporation, is its raising of funds, since its only present source is RFB loans. Unlike other public distribution Corporations, the Corporation requires a large revolving fund and could not handle any project requiring large funds for a long term. If the corporation is to be utilized as an executive organ to carry out the rehabilitation plan, this weak point should be corrected. Countermeasures for this are (1) increase of funds; (2) issuance of short-term bonds; (3) loans from city banks besides the RFB; and (4) state compensation of special losses.

There is yet no indication as to which of these drafts will be adopted. However, the corporation is making efforts to solve its financial difficulties independently:

1. Since future funds must come from the people's savings and unabsorbed purchasing power, the Public Industrial Rehabilitation Corporation Law shall be revised so that the corporation may issue loan bonds to raise its revolving funds. If this loan bond is treated in the same manner as public bonds, excellent results can be expected, since it is possible to utilize the experience and influence of the Hypothetic Bank of Japan.

2. Lottery will be utilized. With inflationary trend prevailing at the present time, it is the most effective measure.

ITEM 5 ESB Releases 1948 National Income, Taxation Figures - Dai Ichi - 8 Dec 48. Translator: Y. Akabane. (UG)

110.1

Full Translation:

Chief UCHIDA, Economic Stabilization Board Finance and Banking Bureau, made clear at yesterday's Lower House Budget Committee meeting the following figures on national income and taxation.

The national income for the 1947 fiscal year totalled 1,170,000,000,000 yen and the tax 135,400,000,000 yen (16.9%). In the original budget for the 1948 fiscal year, the national income was listed at 1,906,000,000,000 yen and the tax at 267,700,000,000 yen (14%). If the sums included in the current supplementary budget are added to these figures, the national income aggregates 2,393,000,000,000 yen and the tax 316,000,000,000 yen (13.2%). This indicates a trend towards lightening the nation's tax burden.

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ITEM 2 ESB Surveys Economic Contr l - Sekai Keizai - 1 Dec 48. Translator: K. Hayasawa. (GS)

110.1

Full Translation:

The Yoshida Cabinet's motto being abolishment of economic control, the ESB is now studying both the possibilities and limitations of the DLP's policies. As its first step, it has performed a survey on the state of business control in 14 types of industries, including coal mining and the iron and steel industries.

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ITEM 2 (Continued)

Since the survey has revealed various defects in the present business control, the ESB is planning to revise the general economic control policy, utilizing the results of the survey as basic data.

Findings of the survey were as follows:

Distribution Control by Public Corporation Method

The public corporation system is not functioning adequately, except for basic industries. In coal distribution, for instance, the Public Coal Distribution Corporation is causing a bottleneck in production, since factories cannot obtain coal of proper caloric content from the coal pool maintained by the corporation. Moreover, lignite is obtainable at a cheaper price on the free market than from the corporation.

Such an item as gasoline usually fails to arrive at public corporations, from whence it is supposed to be distributed, and only the iron and steel industry routes its products entirely to corporation channels.

The emphasis on an independent account system for public corporations is already resulting in various evil practices, such as making up the interest on RFB loans through coal prices and demurrage.

Thus, it is urgently necessary to thoroughly investigate public corporations and decide whether they should be retained or abolished, depending upon the actual state of supply and demand.

Allocation Ticket System

A recent surprise is that a great many allocation tickets are not being used. Apart from the financial stringency and inadequate allocation procedures, important causes of this trend are that consumers no longer consider it mandatory to buy all allocated rationed goods and that enterprisers are confident of being able to obtain official allocations of materials at any time, upon request. This suggests the necessity of revising the present allocation system along the following lines:

a. Reasonable relation between rationed goods and their official prices.
b. Simplified allocation procedures.
c. Adequate quantity of allocation.
d. Allocation of quality goods at low prices.

Transportation Control

The purpose of transportation control is two-fold: to prevent blackmarket transactions and to promote efficient utilization of available transportation. However, the first purpose is being bitterly criticized by industrial quarters for its complexity of procedure and the fact that the disadvantages it brings in production decidedly outweigh its advantages.

As to the latter purpose, opinions vary within the various types of industries. Essential industries, such as iron and steel and ammonium sulphate, favor the rational enforcement of the present priority transportation policy.

These industries are desirous of having transportation control carried out in connection with production control. On the other hand, the concensus is that since the successful realization of the above cannot be expected, transportation control should be completely abolished in favor of high efficiency through free competition.

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ITEM 2 (Continued)

Price Control

The fundamental defects of the present price control system is that the strict enforcement of official prices makes reproduction impossible, and that the market is too small to stimulate reproduction. In other words, official prices are determined without the slightest consideration of amortization of fixed assets and the condition of individual enterprises.

The rate of operation, permanent expenditures, and proportional expenditures are not fully surveyed. The bulkline system of the present price structure is inadequate as a basis for setting official prices, since the principle of the system calls for the selection of a single-standard item. Goods handicapped by higher costs of production automatically bring losses, while items enjoying a lower cost of production automatically show a profit. Meanwhile, the bilateral price system for foreign trade commodities is considered the largest obstacle to the rationalization of enterprise, because an increase in production efficiency is matched by a proportionate decrease in the official price.

In addition, the floor price system, which is aimed at the prevention of so-called starvation export and dumping, is also prejudicial to the sound development of export because of its tendency to unify the varied prices of export goods in the course of foreign trade transactions.

Thus it will be necessary to abolish the abovementioned two-price systems.

Production Control
(Super-priority Production System)

The present super-priority production method is generally favored by the public, the only shortcoming being the lack of emphasis on the power industry. In the future, more emphasis is sought for the export industries in order to prepare for the resumption of normal internationa trade.

Another opinion is that the super-priority production method, being apt to bring about a disproportion among different types of industry, should be enforced at certain intervals, between which general productive conditions can be adjusted in preparation for the next enforcement.

Rationalization of industry should be encouraged by clarifying the bounds of management responsibility in production and by defining the rights of enterprise in autonomous production.

Concentrated Production System - The concentrated production system is generally considered acceptable from the viewpoint of economic utilization of funds and materials. There are certain reservations concerning unemployment countermeasures for weaker enterprises, which the application of the system will cause to fail.

Besides, it is doubtful whether the sound development of Japanese industry can be expected after the eradication of these minor enterprises.

Therefore, the efficient enforcement of this system will require the setting of official prices at such a level as to permit the existence of truly necessary enterprises and creating economic circumstances, by means of a complete free-coupon distribution system, whereby only efficiently operated enterprises can survive.

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ITEM 5 Practical Measures Demanded for Recovery Program - Kogyo Shimbun - 3 Dec 48. Translator: K. Sato. (JTK)

110-1

Full Translation:

The Government has been unable so far to formulate any definite practical plan for the enforcement of the Economic Rehabilitation Five-Year Program due to the necessity of reinvestigating various problems such as the population increase, raw materials, and importation. The Super-Hard Metal Tools Manufacturing Association (CHOKO KOGU KYOKAI) believes that even if a concrete plan were to be drawn up, much cannot be expected unless the plan is backed by a measure for the distribution of raw materials and manufactured goods, without being confined to a mere administration policy or a productive plan, as at present. For this reason the Association has submitted a proposal to the Commerce and Industry Ministry, recommending that in order to enforce the Rehabilitation Plan literally, it is necessary to legalize this plan as a Basic Policy Law and push the plan vigorously through authoritative executive organs.

The Economic Rehabilitation Program, the Association believes, lays two much emphasis upon the administrative side of the productive plan and neglects the supply of necessary raw materials for carrying out the program. Therefore, if some industry falls short of the productive goal, other industries are affected immediately, and when there is no demand for finished articles, particularly when manufactured goods cannot be exported as was expected owing to the pending exchange rate, they must be disposed of at the sacrifice of enterprisers. Consequently, there is a necessity of setting up measures for the distribution of raw materials and manufactured goods and the promotion of the Rehabilitation Program. At the same time a powerful executive organ is required to facilitate these measures. Moreover, the Super-hard Metal Tools Manufacturing Industry Association feels the following projects should be enforced:

(1) Enterprise rationalization measures.
   (a) The accounts of various industries should be investigated, and reasonable investments or loans should be facilitated to each company on the basis of its profit chart and the supply and demand program. At the same time industrial efficiency should be investigated and ill-managed industries eliminated.
   (b) Settlement of labor disputes: Needless to say, it is imperative that attempts be made to curb inflation and stabilize wages. But it is also important to establish a rational efficiency wage system founded on laborers' actual ability, while creating a protection and insurance system for workers as well as a rational enforcement of a reward system to improve industrial production.
   (c) Efficient capital investment: Inspection standards on the international level should be formulated speedily by a Technique Board, and a National Inspection Office should reject articles of inferior quality by examining manufactured goods. At the same time encouragement and assistance should be given to the manufacturing of superior quality goods.
   (d) Establishment of an enterprise coordination policy and adjustment of enterprises: The government Investigation and Statistics Bureau as well as private investigation and statistics organs should be connected directly with each department of the Economic Rehabilitation Committee.

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Thus by a scientific and practical application of this data as well as a comparison of industries concerned, the adjustment between supply and demand should be made every quarter.

(2) Measures for industrial production increase.

(a) Renewal and improvement of machinery: Since it is a national loss and uneconomical to operate old machinery worn out by excessive use during the war, the Government should give positive guidance and assistance toward the renewal of machinery in superior tool production industries.

(b) Rehabilitation and improvement of factory equipment: Rational improvements and the rehabilitation of industrial equipment of top-grade tool manufacturers should be pushed vigorously by the Government.

(c) Preferential accommodation of funds, allotment of raw materials, and distribution of electric power: Fund accommodation and power distribution priorities should be given to superior tool manufacturers, material allocations coordinated with the afore-mentioned enterprise readjustment, and special attention paid to improve the quality of materials. Of particular importance is the guarantee of electric power for superior tool producers, since power is an essential element for tool manufacture. Because the accommodation of funds is an important incentive to the accumulation of capital, it must be properly conducted considering the future possibilities of industries and the prominent role they will play in the economic rehabilitation of JAPAN. These considerations should not be fettered by the limitations of JAPAN's present economy. Further, for the purpose of facilitating the introduction of foreign capital, a sound enterprise management should be planned immediately, and minor divisions avoided as much as possible.

(3) Measures for improvement of techniques.

(a) Adoption of foreign techniques: Engineers should be sent abroad, and books on the registration of technical material should be procured.

(b) Establishment of a national research institute: A Super-hard Metal Tools Research Laboratory should be established in order to allow scholars and private scientists to conduct research in their specialities, and engage in the testing and inspection of products as well as research on the improvement of manufactured goods and the production of new types of articles. As an interim measure for this purpose, the connection between the academic circles and private operators should be made stronger and more intimate.

(c) Technical collaboration among different enterprises: The organization of a composite committee and the establishment of a common research institute.

(d) Assistance by the Government for technical improvement and the industrialization of efficient new types of articles; for example, the awarding of prizes and the creation of a national commendation system, etc.

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(4) Measures for exportation.

(a) Propaganda: Both the Government and private enterprisers should advertise, distribute catalogues and pamphlets, promote overseas travel of businessmen, and publicize tool manufacturing machines.

(b) Grasp of the foreign market picture: More enterprisers should be encouraged to go abroad, first hand information gathered by contacts with buyers in foreign countries, and foreign markets investigated, particularly those of Asiatic countries.

(c) Simplification of exportation procedures.

(d) Improvement of the quality of goods.

(e) Lowering of cost prices.

(f) Settlement of a single exchange rate.

(g) Simplification of the procedure for fixing prices of exports.

(h) Speedy payment of bills for exports.

Theoretically, the application of these measures should not necessarily be confined to this industry alone, but to all industries. Yet in practice there is a wide difference. The items under (2) should be regarded as a composite program rather than independent items, and as such they will be able to play an important role in the Super-hard Metal Tool Industry under the Economic Rehabilitation Plan. These measures will be effective only when they are carried out on the basis outlined in (1). This Economic Rehabilitation Plan appears to lay special emphasis upon production quantity, but it is important to weave the qualitative element into the program as well when it is put into practice.

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ITEM 4 Enterprise Democratization to Be Based on Three Principles - ESB Chief - Tokyo Shimbun - 5 Dec 48. Translator: M. Yasutake. (UG)

1101

Full Translation:

The outline of a speech delivered by Director-general IZUMIYAMA of the Economic Stabilization Board in the Diet yesterday follows.

"The Government will place special emphases upon the following measures:

1. Simplification of the controlled economy--Judging from the recent economic changes including an improved commodity demand and supply situation and a decrease in the purchasing power, the Government now deems it necessary to reexamine the control system from every angle. The Government intends to resolutely abolish controls which it deems unnecessary and to strengthen basic economic controls indispensable for the stabilization and restoration of national economy within a diminished scope.

2. Enterprise rationalization--Increased production holds the key to the success or failure of all economic reconstruction measures. The Government will make efforts to put enterprises on a normal and paying basis. It will also take measures conducive to the healthy accumulation of capital and the strengthening of the foundation of management. At the same time, the Government, along the lines of the so-called three basic principles regarding the stabilization of wages, will make it a fundamental policy not to take measures contradictory to the economic independence of enterprises such as the coverage of deficits by deficit-covering loans and price differential subsidies.

3. Promotion of foreign trade--The importation of certain goods felt necessary, and the boost of exports to balance imports is the first step toward economic rehabilitation and independence. The Government intends to take effective and appropriate fundamental steps for the promotion of exports as soon as possible and at the same time, ask GHQ soon to take understanding steps for the attainment of the aforementioned objective.

4. Food problem--Increased rationing of staple food does not warrant excessive optimism over the future food situation. The increased rationing is possible only through the importation of a great amount of food through the aid of the Allied Foreces and the fulfillment of allotted delivery quotas by the farmers. The Government will exert further efforts to realize increased food production. The free sale of staple food after completion of delivery quotas is now under study in connection with the time and the method of enforcement.

The original purpose of the land reform will be attained during this year, but the Government has no intention of carrying out the third land reform. As the future agricultural policy, the Government intends to raise agricultural production by the improvement of the already developed land, the selection of the land for development and riparian and irrigation projects, namely by the over-all utilization of land.

In order to guarantee the status of the newly-born landed farmers, the Government will materialize various measures to rationalize agricultural management, alleviate its burden and develop the economic power of farm villages through the promotion of agricultural co-operative unions. The Government is now studying the time and the method for the abolition of controls on perishable goods and the reopening of restaurants for the masses.

5. Labor policy--The Government will make efforts to realize the thorough democratization of labor unions, establish their independence and responsibilities and normalize labor-management relations, based on the maintenance of order and discipline by both sides. If a labor

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dispute should occur, the Government will strive for its early and peaceful settlement. Based on the belief that to elevate the will to work of workers and raise productive efficiency will push increased production and economic reconstruction, the Government will exert more efforts to stabilize the livelihood of workers and especially guarantee their substantial wages.

6. Price policy--As past experiences show, if official prices are raise hastily without definite prospects for the attainment of balanced production, it will cause lack of balance in the profits of enterprises and a sharp increase in wages. Then the wicked spiral of commodity prices and wages will follow. Taking these conditions into consideration, the Government will strictly refrain from carelessly revising the entire price system.

7 Financial and banking policy--The presentation of a supplementary budget bill was necessitated primarily by (1) the problem of the revision of the government workers' wage base due to the rise of the general wage level and (2) the problem of disaster rehabilitation measures to cope with the recent successive disasters.

The Government intends to carry out appropriate measures vigorously to attain a definite increase in incomes from taxes and monopoly goods. No change has occurred in the Government's policy to abolish the transactions tax. Study is now being made regarding the time of abolition and the new revenue source.

As for the banking policy, the Government will proceed without the advancement of any deficit-covering loans. However, the Government is well aware of the prevailing tight monetary situation. It intends to make its banking policy more flexible.

The Government wants to spur increase production and economic rehabilitation while maintaining a sound banking policy. It intends to take special steps to ease the monetary situation of especially the smaller industries and farm and fishing villages. The Government does not have the slightest intention of carrying out a currency reform.

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ITEM 8 Izumiyama Denies Control Lift Rumor - Sekai Keizai - 3 Dec 48. Translator: H. Sato. (GS)

110.1

Summary:

The first meeting of Economic Investigation Board chiefs throughout the country was held on 2 December at the Industrial Club, MARUNOUCHI. Attending the meeting were IZUMIYAMA, director of the Central Economic Investigation Board (CHUO CHOSA CHO); TANAKA, vice-director of the central board; chiefs of the eight district economic investigation boards; chiefs of the 49 local economic investigation boards; F. WHITTINGTON, Chief of the Price and Distribution Division, ESS, SCAP; and R. GOODMAN, Chief of the Enforcement Branch of ESS.

They conferred upon measures to guarantee the collection and shipment of controlled marine products. Denying the rumor that a drastic lifting of economic controls is planned, IZUMIYAMA stated:

"Rumor has it that there will be an extensive relaxation of economic controls in the near future, but the present economic situation of our country is not yet ripe for a sweeping abolition of controls. Economic investigation boards have obtained satisfactory results up to the present.

"For example, the delivery rate of hides and skins was raised from 20 percent to 92 percent. In doing so the investigation board prevented about 45,000 pieces of hide and skin (valued at 400,000,000 yen at current prices) from being diverted to the blackmarket and placed them into regular channels.

"Economic investigation boards are exposing, on the average, 200,000,000 yen worth of hoarded and concealed materials each month."

ITEM 4 Economic Recovery Program (By Kiuchi, Nobutane) - Sekai Keizai - 6 Dec 48. Translator: E. Sato. (SS)

Summary:

(The author is managing director of the Japanese Economic Rehabilitation Association.)

It is reported that the five-year economic rehabilitation program mapped out by the Economic Stabilization Board has been frustrated. Since the ESB has found it impossible to obtain the desired results, the Government has no alternative but to revise the plan basically.

JAPAN cannot rehabilitate herself without receiving aid from the UNITED STATES. Therefore, she must give up the idea of rejecting US aid on the ground that she cannot become independent if she receives it.

The ESB worked out the economic rehabilitation program by itself. It should have planned it in collaboration with US authorities. If their original ideas and creative talent were utilized, an entirely different, elaborate program would have been worked out. The ESB must not form an unworkable plan and ask for US aid.

In the eyes of foreign countries, JAPAN's economy is recovering remarkably. The livelihood of the Japanese people is also improving. This is due to US aid toward JAPAN. JAPAN has only to have her present economic level guaranteed.

The ESB must study whether JAPAN's economy is now in a stage of re-production on a diminishing scale. It must also estimate the amount of aid needed to prevent such re-production and work out a new plan to rehabilitate the nation's economy through JAPAN's own efforts after receiving such aid.

It is hoped that the ESB will approach the US authorities with this new plan, along with its original plan for reference.

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ITEM 2 Economic Rehabilitation Plan Revised - Mainichi - 9 Dec 48.
Translator: I. Yoshinaga. (TK)

Full Translation:

The Economic Rehabilitation Committee has acted so far on the basis of basic policies decided in August. However, reflecting the recent change in circumstances, the conviction is growing that when the practical measures scheduled in the former period of the economic rehabilitation program are taken and, at the same time, policies for checking inflation are adopted as stressed at first, the program will not progress as the basic policies require.

After studying the matter in consideration of opinions from various circles, the authorities drew up a new set of reconstruction measures, and blueprinted the outline of a bssic policy for the reconstruction project for 1949, the first year of the plan. This blueprint will be submitted to the Special Rehabilitation Planning Sub-Committee (FUKKO KEIKAKU TOKUBETSU SHO IINKAI) for deliberation, after approval by ESB executives at a meeting on 9 December.

Concrete Policy

The policy stresses exportation with the aim of achieving economic independence in the last year of the program. Even if economic rehabilitation and the restoration of the national living standard are obliged to remain somewhat below the level of the standard years, it cannot be helped.

The outline of the revision are:

1. The policy to terminate inflation in 1950 is re-affirmed. The Government plan concerning funds and supply and demand of materials will be revised to a considerable extent.

2. Concrete measures for ending inflation will be clarified. In the case of a stabilization panic, gradual measures will be adopted in the form of an interim stabilization policy.

3. The rehabilitation target for the mining and manufacturing industries in the last year will be somewhat below that of the present plan in the fields of electricity generation, shipbuilding, iron, steel, chemical fertilizer, and textiles. Accordingly, the production indices will fall below 145 percent of the 1930-34 level.

4. As to the standard of living, 2,100 calories of food will be secured, but the supply of other consumption goods will be less than that of the standard years.

5. Aiming at the realization of economic independence in the final year of the plan, efforts will be exerted to raise 1,600 million dollars from exports and 100 million dollars from other sources.

Basic Structure of the 1949 Plan

1. As a preparatory step for arresting inflation, the financial scale will be reduced to secure a really balanced finance, and at the same time, enterprises will be rationalized through the rigid enforcement of the three economic principles.

2. Anticipating the establishment of a provisional single exchange rate in 1949, measures will be taken to eliminate the gap between official and blackmarket prices of commodities and to speed up the rationalization of enterprises.

3. In the cases of new investments in industries and reconstruction projects, efforts will be exerted to foster the basic factors for rehabilitation without accelerating inflation. Stress will be placed on the increase in iron and steel, development of electricity sources, increased coal, expansion of transportation capacity, and repair of damages.

4. Priority will be put on the promotion of exportation. To that end, SCAP's permission will be requested by the Government to increase textile exports, and at the same time, domestic measures will be taken to increase exports through increased distribution of productive materials. To that end, it is necessary to increase imports of industrial raw materials.

5. The general living standard will be somewhat raised, but stress will be put on the security of the livelihood of the working class. In this connection, some measures will be taken to peg the nominal wages at a reasonable level.

The plan is drafted in line with the above basic structure. In this case in view of curbing inflation, special considerations will be given to the estimation of the national income. At the same time, an inseparable connection will be maintained between the production program and plans for public finances and the accommodation of loans.

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ITEM 5 The Readjustment of Enterprises (TAKAHASHI Kamekichi) - Magazine: Toshi Keizai (Semi-monthly) - 1 Dec 48. Translator: M. Takagi. (GS)

110.1

Summary:

The present stage of Japanese economy calls for the immediate readjustment of enterprises, to be undertaken seriously for various reasons.

First, now that inflation has reached its stabilization stage, make-shift measures are no longer as effective as they used to be. As a result, there is no room left for unsound management to make fictitious or imaginary profits from the inflationary hike in prices, and there is but slim chance of reaping easy profits from selling goods on the blackmarket.

Second, as our economy heads toward normalcy, sound financial condition, competent management, and stability have become vital factors in the existence of any enterprise. The possibility that unsound management can survive is rapidly diminishing. The following are the reasons for this:

Because of the strict precautions of banks in lending, the soundness of management will determine whether an enterprise will flourish or decline.

While production gradually recovers, the depression, due basically to the decline in the people's purchasing power, is worsening. Consequently, coarse goods are in poor demand. Even in the case of coal, there is a large quantity (300,000-400,000 tons) of low calory coal available. This means free and keener price competition to nullify high-cost production.

Thirdly, intensified monetary stringency has driven enterprises to the final stage of readjustment or selection. In fact, this is already taking place in small and medium enterprises.

Many of them are expected to go bankrupt and to close their doors at the end of this year. At the same time, the readjustment of large-scale enterprises has already been taking place. No impetus for their readjustment is the establishment of the three principles in respect to wages and the imminent adoption of the single-exchange rate.

The so-called three principles in respect to wages, which were suggested by authoritative quarters during the coal miners' disputes, prohibit any wage raises through (a) a rise of prices; (b) deficit-covering loans; and (c) government subsidies. It is clear that wages must be determined according to the scope of enterprises' self-supporting capacity.

To date it has been customary to cover high wages and production cost through these measures, and it has been natural for management to be unwilling to resort to the difficult measure of readjusting enterprises. In carrying out the readjustment, a clash against labor unions and a decrease in production due to strikes are almost inevitable. This has been the fundamental reason for deferring the large-scale readjustment of enterprises. However, now that the establishment of the three principles on wages has been suggested by authoritative quarters, it is understood that the objective condition whereby enterprises can endure such temporary friction has matured to the point where it may become a reality.

In fact, the basic condition for stabilizing wages has been established through the increase in the ration of staple foods and increased rations for workers. In addition, labor offensives, to a large extent, have been controlled through the revision of the National Public Service Law and the control over the strikes of workers engaged in public enterprises.

There also are the self-restraining tendencies of labor unions, in accordance with advice given by GHQ to enhance the recovery of legitimate resistance of management.

It has thus become clear that enterprises, if they are to exist, are required to pay proper wages through the increase of labor productivity, the promotion of managerial efficiency, the readjustment of employees, and the readjustment and reduction of their scale of operation, and that labor unions have no other alternative than to recognize this fact in order to protect their livelihood.

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ITEM 10 Three Economic Principles and Future Economy (Part III) - Kogyo Shimbun - 8 Dec 48. Translators: I. Yoshinaga and K. Harasawa. (TK)

Full Translation:

110.1

The so-called three economic principles means, firstly, the suspension of deficit loans, secondly, the denial of such wage increases as will affect the general price level, and, thirdly, the restriction of subsidies to those enterprises which are operating in the block.

It is desirable that the three economic principles be rigorously enforced, for the checking of inflation is the most urgent task of the hour. However, the rigid enforcement of the principles may bring adverse effects upon business.

Of primary concern is the problem of deficit loans. The immediate suspension of deficit loans to key industries such as the coal industry is apt to produce an adverse effect on output of essential materials. Hence, in enforcing the principles, the

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authorities should exercise caution.

However, funds extended to key industries have apparently been employed ineffectively thus far, a fact which costs suspicion that enterprises lack the basis for rational management. Therefore, the effective utilization of funds and the rationalization of enterprises should be actively promoted.

The granting of deficit loans to general industries should be firmly denied. The continuation of enterprises without the aid of deficit loans will compel rationalization of enterprises themselves. Funds for the rationalization, for instance, funds for readjustment, should naturally be faciliated by the RFB.

Increased Wage Problem

The problem of the increased wages comes next. Such wage increases as will endanger the management of enterprises should be strictly forbidden. However, with the aggravation of inflation, demands for increased wages naturally become intense. How this contradiction will be resolved is the most complicated problem in the rationalization of enterprises.

The last is the wage problem. Generally speaking, such enterprises as are unable to exist without receiving subsidies can be said to be ones which have no right to exist under free economy. Theoretically, all subsidies should be abolished. In reality, however, some considerations should be given, for the immediate suspension of all subsidies to key industries will result in the decreased production of essential materials. Even in this case, the amount of subsidies can be reduced through enterprise rationalization.

Solution by Rationalization of Enterprise

In short, the prerequisite to a rigid enforcement of the three principles is the rationalization of enterprises.

The present defect of the nation's enterprise is rooted deeply in its failure to carry out rationalization immediately after the war. It is clear that the Japanese industry cannot regain independence and survive international competition unless the cost of production is lowered and productivity is raised by the repudiation of the reckless wartime management policy, adjustment of surplus personnel and production equipment, and replacement of worn-down machines, all in compliance with the principle of rationality.

What is left for the recovery of the Japanese industry now is the rationalization of management in line with the three economic principles. If, then, rationalization is carried out in private enterprises, what should be done to the central and local administrative structures and the government and public enterprises? Rationalization should be carried out immediately in this field too. Otherwise the rationalization of private enterprises will be nullified through the heavy burden of taxes imposed upon them.

Rationalization Steps

An extensive curtailment of the administrative organization will be the first step toward this aim, followed by a drastic reduction of administrative personnel, and the rationalization of government and public enterprises.

Government and public enterprises, in particular, should be operated in compliance with the principle of economy, because deficits

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in these enterprises are no less detrimental to national economy than those in private enterprises. The problem of wage hikes in government and public enterprises should be dealt with from the same point of view.

Simultaneously with the enforcement of the three economic principles in private enterprises, government and public enterprises ought to be bound to a new principle that absolutely forbids any wage hike which will jeopardize economic rationalism in management.

The above-stated rationalization and the three-point economic code are based upon economic liberalism. This, however, flatly contradicts controlled economy now in practice. Since free economy is more convenient for the enforcement of the economic principles and the rationalization of enterprise, I hope a basic economic policy will be adopted to replace the existing controlled economy with free economy.

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ITEM 12 The Three Economic Principles and Our Party - Shakai Shimbun - 9 Dec 48. Translator: H. Furukawa. (SS)

110.1

Summary:

Involving more than 4,000,000 laborers, the struggle of the coal, electric and textile industry workers for increased wages, together with the struggle of the government and public employees for a 7,300 yen wage base, is becoming even more furious with the approaching general election. Though faced by the increasing labor offensive, the Government is unable to take any effective counter-measures, but only looks helplessly at the frequent strikes being conducted by the workers.

Seeing the situation becoming increasingly critical, GHQ, at the beginning of November, suggested to the Japanese government the so-called three economic principles which called for a major change in occupational policy.

Avaricious capitalists mobilized the laboring masses, who were suffering from inflation, in movements for the acquisition of funds and materials which they need, and compelled the government to increase industrial subsidies and revise ceiling prices. We have been pointing out that the government loans are not appropriated for laborers' wages and production equipment, but mostly for political transactions through illegal channels. We also levelled bitter criticism at the connection between avaricious financial capital and officials. The three economic principles suggested by GHQ are, of course, adequate under any system of national economy. Particularly, any policy which suspends deficit loans, subsidies and price revision--that which serves only the interests of the greedy capitalists--is always appropriate.

The full and immediate enforcement of the three principles, however, will halt the operation of many industrial enterprises. The suspension of loans to coal mine enterprises, which are already hard up for money, will bring immeasurable calamities to the laborers of those enterprises. Movements for enterprise reconstruction, which will arise in relation to the problem of the single exchange rate, will affect many manufacturing enterprises, especially those producing light electric machines, bicycles, automobiles and precision machinery. The sub-contractual enterprises in those fields of industry will also be crippled and ruined. Japanese industries must be reorganized on a modern basis, and the cost of the reorganization must not be imposed upon laborers alone but must be treated as a grave responsibility of the Government.

Our Socialist Party, which represents the laboring classes, should stubbornly fight the abuses of the three principles and make the Government take responsibility for the enforcement of the principles. We must prepare plans to halt inflation and propose positive policies on social problems, as well as financial and industrial reforms. We must also exert our utmost for composite solution of labor disputes due to the enforcement of the three principles. All the branch organizations of our party should co-operate with democratic labor unions in fighting for the above purposes.

The Japan Communist Party, which bitterly opposed the policy of deficit loans, seeing that the laboring masses are being threatened by their enforcement, has suddenly begun shouting for "overthrow of the three principles." We cannot but despise the Communists who are too selfish and opportunistic.

We Socialists do not necessarily oppose the three principles, but insist on positive policies to reorganize Japanese economy and industries which have been dependent solely on loans. Democratic labor unions should take the initiative in the modernization of JAPAN's industrial structure, which is the prerequisite for the enforcement of the three principles. They should map out plans to halt inflation and eliminate deficits, and supervise the Government financial methods of enforcing the principles. From the above point of view, we shall fight with laborers for the early settlement of the disputes in the coal mines and in the electric and textile industries.

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ITEM 2 Three Principles and Future Economy (Part II) - Kogyo Shimbun - 7 Dec 48. Translator: T. Hemmi. (JTK)

110-1

Full Translation:

The nation's financial quarters, whose individual vigor and initiative had been dulled by its smug dependence on government aid, suffered a sudden jolt from the three economic principles, which followed the wage strikes by the electricity and coal workers. The three principles provide that: (1) Deficit financing will be discontinued; (2) government subsidies, based on an unsound finance, will not be given, and; (3) price revisions adversely affecting the general prices will not be effected.

With the initial shock over, financiers call for the alleviation of the three principles. What repercussions have these principles brought upon financial circles, and what preparations should be made before these principles can be enforced? KUDO Shoshiro, vice-director of the RFB, who is closely associated with industrial circles, made the following replies:

Q: "What do the financiers think of the three principles?"

A: "The three principles purport to stabilize JAPAN's postwar economy through the co-ordinated efforts of various quarters. In this sense, finaciers will agree with the three principles. However, under the current economic situation, a rigid enforcement of these principles will only bring forth additional confusion."

Q: "I understand that the primary aim of the three principles is to stabilize the total economy through the rationalization of watered businesses. Do you mean to say that enterprises will be unable to withstand the bloodshed brought about through rationalization?"

A: "The conspicuous recovery of this year's production is not a true picture since some of the products have been produced from accumulated stocks since the war's end. The temporary production drop in the process of rationalization must be seriously considered. The enforcement of the three principles will contradict the wage base announced by the Temporary Personnel Committee. No overall solution of this can be expected from personnel adjustments. Moreover, under the present financial conditions in JAPAN unemployment measures subsequent to business rationalization is impossible. Therefore, financiers, while making every effort to stabilize economy in compliance with the three principles, must at the same time appeal for foreign aid."

Q: "Some feel that the three principles are elastic, but what do you think?"

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A: "Financial policy seems to be closely co-ordinated with actual conditions. City banks as well as the RFB suspended financing to striking coal miners. It was found, later, that the overall suspension of financing would have a bearing upon the coal output and disrupt the financial operation of industries depending on coal. This prompted banks to change their policies and allow the financing of restoration funds and damage reconstruction funds. Although 11 billion yen in price adjustment funds have been appropriated in the current supplementary budget, its financial sources are posing a problem. I'd certainly like to know exactly when the price revisions will be enforced."

Q: "Will the retirement allowance resulting from business rationlization be regarded as deficit financing?"

A: "At present, it is not regarded as deficit financing. Financing of retirement allowances is bringing on business rationalization. Moreover, since under the present wage level the retirement allowance fund can be easily redeemed, this type of financing may be called beneficial. Since the Bank of Japan insists that the funds required for business rationalization be accommodated without hesitation, not only the RFB but also city banks should not be reluctant to extend loans of such a nature. The RFB is now negotiating with the Government so that these loans will be preferentially redeemed by the city banks."

Q: "Has banking for business rationalization been effective?"

A: "The RFB has extended loans for business rationalization with successful results to some 20 companies, including the Japan Wireless Manufacturing Company and the Tsugami Manufacturing Company. A certain company reduced its employees to one-third and concentrated its production into one factory with the result that nine percent dividends have become possible by boosting its production over the pre-adjustment level. Now that its operational funds are available from city banks."

Q: "Is there any positive effect on financial circles as a result of the enforcement of the three principles?"

A: "It is an undeniable fact that the three principles stimulated financiers and industrialists who have been too easygoing. It would be most welcome if the economic rehabilitation program and financing will be effected more realistically in line with the three principles. The past optimistic and unrealistic economic rehabilitation program was worked out by bureaucrats, whose feeling was substantially the same as that during the war. The bulk of the present industrialists, who graduated from universities around 1930 and 1931, are simple-minded since they were educated during the time of JAPAN's expansion and did not experience the business depression in the past when the coal price was 0.115 yen per ton. Some firms now are producing far above effective demands. The enforcement of the original economic rehabilitation program may ultimately balance supply and demand. However, I hear that CHINA has lost much in this respect. I, therefore, point out the need to reconsider the program."

Q: "Are there any concrete movements for changing the program?"

A: "Some braintrusters connected with production have raised a cry for a further study on the economic rehabilitation program, since financing in accordance with the present government's program will aggravate inflation. Therefore, the Bank of Japan, the RFB, the Industrial Bank, various industrial circles and the Government are making efforts to negotiate with each other for a more realistic increased production program and banking plans. Another movement is carried out by three influential automobile companies (NISSAN, TOYOTA and DIESEL) in co-operation with the Commerce-Industry

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ITEM 2 (Continued)

Ministry, the RFB and Diet members. This plan, being studied privately, would create sound management through a gurantee of necessary funds and materials. I think that these moves are outcomes of the three principles."

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ITEM 1 Three Principles and Future Economy (Part I) - Kogyo Shimbun - 6 Dec 48. Translator: H. Sato. (JTK)

110.1

Full Translation:

The business world is greatly stirred by the three-point economic principle which include making no deficit loans, allowing no price raises which will affect the entire price system and granting no subsidies other than these based upon balance in account.

These principles were laid down to cope with the wage hike demands by coal workers, and the All Japan Electric Industry Workers Union (DEN SAN). If these three principles are rigidly enforced, the pace of inflation will certainly be slackened, but on other hand those enterprises which have depended upon subsidies and RFB loans will face bankruptcy. The enforcement of these principles will not only prevent a price revision but also will lead inevitably to enterprise readjustment and industrial panic. Therefore, strong movements are afoot to give elasticity to the three-point principle and thereby gradually emasculate the plan. This future development is being watched with concern. The spirit of the three-point principle is included in the ten-point economic stabilization principle formulated during the Ashida government. However, the corrupt Ashida cabinet lacked both zeal and political influence to push it through. Consequently, inflation began to show signs of resurgence around autumn of this year. This tendency was accelerated by the increase in deficits in the so-called safety-zone industries such as coal mining and electric industries and also by the resultant demand for an increase in loans and subsidies. The Ashida cabinet, however, retired without achieving anything. The succeeding Yoshida cabinet adopted the Democratic-Liberal's long-cherished principle of putting first priority upon production increase and took the stand that if production in key industries was to be increased, it would be necessary to increase subsidies and loosen the framework of loans to some extent.

This type of attitude is most welcomed by the industrial world, especially by key industries, and much expectation was entertained for political donations to be made from these sources at the next election campaign. Finance Minister IZUMIYAMA, in publishing his financial policy, stated that in the future he would consider issuing deficit loans for the payment of necessary subsidies without regard to the balance of the budget.

With regard to the All Japan Electric Industry Workers Union's demand, the Yoshida cabinet was resolved to approve the 7,600 yen wage base recommended by the Central Labor Relations Board, and to increase subsidies by about 10,000,000,000 yen to meet the demand by coal industrialists. This was an important election measure for the Yoshida cabinet, which intended to dissolve the House of Representatives.

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However, the general public, who dread inflation, strongly opposed the readoption of such a reckless financial policy by the Yoshida cabinet. Above everything else, general circumstances would not approve it. And before the Yoshida cabinet took decisive measures to meet the wage hike demands by coal workers and electric industry workers, the three-point principle was abruptly projected in utter disregard of the cabinet's intentions.

Although the rules included in the three-point principle have often been taken up in the past and include nothing new in particular, they do have great significance for reasons given below. If the principle is observed strictly, it will mean a grave turning point in the reconstruction of JAPAN's economy.

(1) The principle is featured by the fact that it deals with measures for the specific problem of wage-hike demands by the coal and electric industry workers. This indicates that economic stabilization measures, which were reduced to general, abstract arguments in the past, have now been taken up concretely and with zeal.

(2) The principle means the suppression of the wages of the safety-zone industries (key industries receiving subsidies). Safety-zone industries will hereafter be unable to expect deficit loans or increases in subsidies. As a result, enterprises will be unable to raise wages except through their own efforts, such as increases in production efficiency and enterprise readjustments. If there is no room for the improvement of efficiency and readjustment, wage increases will virtually be checked.

(3) Those key industries which are already in the red will have to carry out drastic readjustment of enterprises. Otherwise their very existence will be endangered. Such a tendency will further deepen the monetary stringency in the industrial world and will eventually force enterprise readjustment because of financial necessity.

(4) In the past policies for economic stabilization, either production increase was given greatest emphasis or else production increase and the curbing of inflation were stressed on an equal footing. Meanwhile, in deciding the three-point principle, the authorities showed a firm determination to enforce it even at the stake of a temporary decline in production. This is extremely significant because this determination clearly expresses a strong conviction that under the present condition the curbing of inflation must come first.

As stated above, the three-point principle has grave significance as a measure for checking inflation. The question is, to what extent will the measure be enforced.

First comes the problem of interpreting the three-point principle. In Government quarters, there are some who believe that the principle does not totally prohibit price revisions, and that, therefore, the Government may conduct price revisions which do not affect the entire price structure, such as price hikes in passenger fares and tobacco prices. However, sectional price revisions will eventually lead to an over-all revision. In addition, there is an influential opinion that as long as revenue sources permit, a considerable amount of subsidies might be granted. The draft plan of the supplementary budget includes a price adjustment expense of 14,700,000,000 yen. The question is, can revenue sources be secured. If the Government appropriates vast subsidies by counting on unreliable revenue sources, this in substance would be the same as deficit financing. In this way, if the three-point principle is given elasticity gradually, the three-point principle itself will eventually become impotent.

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ITEM 1 (Continued)

Another problem is the time of the price revision. Present indications are that the revision cannot be delayed until the next fiscal year. Even were the revision to be set at around next March, the industrial world's demands for stop-gap funds until that time will grow violent. Whether or not the Government can totally reject them is a question. When the price revision is carried out, the raises in the wage base and in the operating funds will result in the swelling of the budget. Even if it is possible to keep balance in the budget superficially, actual deficit increases will be inevitable. Then, the three-point principle will lose its significance; and will be bound to end in failure sooner or later. However, the effects that the three-point principle will have upon the curbing of inflation must not be taken lightly.

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ITEM 8 New Trend in Management Council - Kogyo - 8 Dec 48. Translator: W. Hayashi. (TK)

1/9/1

Full Translation:

The management council, which has been established within each enterprise for its democratization, has heretofore been a mere place of capital-labor conflicts on wages issues. Recently, however, in many enterprises, the management council is becoming a place of capital-labor co-operation due to the recently announced three basic economic principles and other changes in the economic situation. Both capital and labor should promote this desirable trend.

Not only has the management council been a place of wage negotiation, but it has been heretofore disregarded by the labor unions. Consequently, the existence of the management council has been only nominal. The laborers did not understand the purpose of the management council.

The management council is a system to permit labor's participation in management to solve capital-labor issues through negotiations. The fact that labor does not want to utilize this system reveals that the laborers prefer direct actions to negotiations, a vital defect of the Japanese. This can only lead to fascism instead of democracy.

Not only the labor unions but also some entrepreneurs, such as general contractors, disfavor the management council because they object to revealing details of management before labor. How can we attain the democratization of enterprises under such circumstances?

The management council is not a mere organ for wage negotiations. As stated above, it is a system to permit labor's participation in management. Therefore, many other issues should be negotiated through it. Many plants, such as the Toyo High Pressure, the Nissan Chemical Industry, the Yuasa Battery, the Toshiba Fuji Plant, the Oji Paper Industry, the Mitsubishi Heavy Industry Maruko Plant, the Amagasaki Steel Industry, and the Japan Seiko, now are endeavoring to realize capital-labor co-operation through the management council. Joint conferences are being held to study methods in which to improve working capacity and efficiency in order to increase production, and negotiations are under way between capital and labor to economize expenditures. This is a favorable trend and is also the natural status of the management council.

Both capital and labor should re-estimate the character of the council. To regard it as a troublesome procedure is an undemocratic, radical idea which hampers democratization. At the same time, it is absurd for labor to abandon their right to participate in management. We give this warning to radical labor unions and to some of the worse backward managements.

ITEM 4 ESB Deputy Calls Nine Principles "Heartening" - Jiji Shimpo - 19 Dec 48. Translator: H. Miyoshi. (WM)

110.1

Full Translation:

ESB Deputy Director-general HORIKOSHI commented as follows on the nine principles: "It is clearly stated that the nine principles are designed to fix an exchange rate. This means that setting the rate is imminent. The ESB believes that even if a single exchange rate is fixed, it will have only a slight influence on the domestic economy so long as Government as in ENGLAND provided price subsidies in connection with GARIOA commodities, including clothing and foodstuffs.

Since exports will be hit, we hope to work to give indirect aid to this industry. Recently, there was a strong opinion in the United States Government that Japanese inflation had reached a critical stage. The UNITED STATES, however, has just admitted that since production is showing an increase, it will not be impossible to settle inflation, if proper measures are taken right away. This is indeed heartening news for JAPAN."

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ITEM 17 MacArthur's Directive and Japan's Position - Tokyo Shimbun - 19 Dec 48. Translator: J. Aomi. (WM)

110.1

Full Translation:

Much has been said about the general lines along which the economy of JAPAN is to be rehabilitated. With the proposed establishment of a single exchange rate in sight, we are now in a position to contemplate mere specific measures. For, in addition to the memorandum which the Far Eastern Commission addressed to SCAP recommending the establishment of an exchange rate as a prerequisite to the economic recovery of JAPAN, the US Departments of State and the Army have recently issued an order to SCAP which requires that an effective economic stabilization plan be enforced by the Japanese Government immediately in order to stabilize financial price and wage conditions.

Thanks to the aids extended by the Allied Powers, including the US in particular, the economy of JAPAN is recovering, though slowly, from the shock of the war. This is shown by the fact that our industrial production as of last November reached 62 percent of the prewar level and that exports for this year are expected to amount to 260,000,000 dollars, or 48 percent above those for last year.

On the other hand, however, it is undeniable that, owing to the continued inflation, the consumer prices as well as the currency issue have increased by 60 percent within one year. Therefore, there is no need to say that in order that JAPAN's economy may continue a steady recovery and development, effective steps must be taken in every aspect of our economic life.

The Ashida Cabinet formulated ten principles for economic stabilization, and the Yoshida Cabinet has also adopted three principles for the stabilization of wages. Unfortunately, however, these principles have so far proved of little practical value in solving the concrete problems of the moment.

The fundamental prerequisite for the economic recovery of JAPAN is to stabilize economic conditions, which in turn requires sound finance; that is, the outlawry of deficit finance as well as the stability of the wage and price conditions. Those points were strongly emphasized by the Draper Mission, and the policy of GHQ has also followed these lines. However, the policies of our cabinets have often tended to depart from these unmistakable principles and take easier but wrong paths owing to a lack of political power. This has not only been the case with the government policies. Nongovernmental enterprises, too, have been wavering to and fro without concentrating their efforts upon the stabilization of national economy.

If Japanese economy is to be rehabilitated at all, we must of course encourage our export trade. For this purpose, it is clear that we must come into direct contact with the international market by setting up a single exchange rate, even if such a step produces certain adverse consequences in industrial circles for the time being. This, however, will not be an easy task. Since the end of the war, JAPAN's economy has remained, so to speak, a "greenhouse economy" completely cut off from international economy. Consequently, the industries and enterprises which have grown within this greenhouse have not been able to extend their roots deep into the soil of international economy. Either they are narrowly subsisting under various forms of financial protection, such as the adjustment of the special account funds for foreign trade, price-difference subsidies etc, or they depend upon special aids other than normal loans. They must undergo a severe test in order to contribute to the true economic rehabilitation of JAPAN.

Establishment of a single exchange rate is the right way for Japanese economy to join international economy. But if we hope to take this way, we must do all we can to qualify ourselves for that. Our financial, monetary, price and wage conditions must be readjusted with this end in view. Mere declaration of abstract principles will never enable us to achieve our ends. At present, we cannot predict what forms of specific directives will be issued by SCAP. But, at any rate, the Government as well as the people must be clearly aware of the fundamental requirements of our economic rehabilitation and be prepared to take any austere step necessary to economic stabilization.

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

ITEM 16 Direction of Economic Stabilization - Nihon Keizai - 19 Dec 48.
Translator: J. Wada. (UG)

110.1

Full Translation:

The nine-point plan for the stabilization of Japanese economy which the United States Government sent Gen MacARTHUR has been published. The plan follows the same lines as those of policies which the Western countries are executing under the Marshall Plan, and may be interpreted as being aimed at speeding up Japanese preparations for the scheduled establishment of a single exchange rate. It may also be said that the nine-point stabilization plan is almost the same in purport as the ten principles for economic stabilization which the Japanese Government formulated on the recommendation of Gen MacARTHUR in July.

The plan is a co-ordination of policies which SCAP has adopted on individual problems. This plan, however, involves nothing novel. Concrete measures to be taken to implement the plan can be judged, though roughly, from the existing policies. However, the significance of these instructions of the US Government lies in that the policies which SCAP has suggested on individual occasions or the ten principles which the Japanese Government established in conformity with a SCAP recommendation have been formally referred to Gen MacARTHUR by the United States Government.

As the economic rehabilitation of EUROPE is being pushed with the aid of the UNITED STATES, so the economic rehabilitation of JAPAN is dependent upon UNITED STATES' help. Therefore, the plan for rehabilitating Japanese economy must be placed upon a clearly-defined principle as is the plan for recovering European economy. The instructions point to that principle.

The US Congress which is to decide appropriations for economic aid toward JAPAN will convene early next spring. There are various reports concerning the aid which the UNITED STATES will extend, but JAPAN cannot obtain US aid for an indefinite period nor should she expect it.

In other words, the UNITED STATES will have to reduce her aid to JAPAN to the minimum because of the burden on the US taxpayer. At the same time, if JAPAN relies upon the UNITED STATES indefinitely, she will be reduced to a beggar country. This is the reason why a self-supporting economy is emphasized. The order must be considered independently of the recent developments in the international situation. It only constitutes the other side of the Far Eastern Commission decision for the early establishment of a single exchange rate.

In this sense, this order from the US Government represents the course which JAPAN should follow. If any government circles or private organizations should deliberately evade or obstruct its execution, not only will the UNITED STATES' benevolence be betrayed, but the reconstruction of Japanese economy will be delayed and JAPAN relegated to the status of a half-sovereign country for some time to come. Especially noteworthy is the SCAP announcement that Japanese efforts for execution of the economic stabilization plan will be taken into account in considering Japanese future requests for relief funds.

The nine-point order is virtually the same as the ten principles for economic stabilization. However, the wage stabilization measure, which was merely a matter of discussion when the ten principles were formulated, is now at the stage of implementation in the form of the three-point wage stabilization principle. Nevertheless, principle is principle and the problem lies in the execution. Both the principles and the nine-point plan are welcome, but it is unavoidable that these principles should be faced with difficulties in their execution. For example, increasing the production of all essential indigenous raw material and manufactured products and improving the effectiveness of the present allocation and rationing system will necessarily involve the problem of how to deal with the concentrated production policy which is now being subjected to hot debate.

In executing the three principles for wage stabilization, too, consideration must be paid to how to adjust wage stabilization with production increases. However, since many of the measures hitherto adopted have been executed along the lines of these principles, both the Government and people should exert more efforts in that direction. And, with the establishment of a single exchange rate set as the primary goal, preparations must be speeded up to get our economy back on a normal footing.

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ITEM 15 New Phase in Stabilization of Japanese Economy - Yomiuri - 19 Dec 48.
Translator: Y. Bannai. (WM)

110-1

Full Translation:

The announcement by the US Army and State Departments that General MacARTHUR would instruct the Japanese Government on the enforcement of an effective economic stabilization program was announced yesterday by the Public Relations Office, GHQ.

Needless to say, economic recovery must be based upon the stabilization of both currency and prices. Under the terms of the Economic Reconstruction Program for Western EUROPE, based upon the same idea, the US is now extending economic assistance to the Western European nations. As a result, economic recovery has made smooth progress in those countries, whose industrial productivity has almost reached the prewar level, with the exception of Western GERMANY. Since the currency reform in August, economic recovery has made remarkable progress even in Western Germany, reaching 70 percent of the prewar industrial productivity in October. In view of such circumstances, the stabilization of currency and prices is undoubtedly the prerequisite to JAPAN's economic recovery.

The PRO announcement has made it clear that, as in the case of Western EUROPE, JAPAN must meet this condition in order to get aid from the US.

However, the necessary conditions for JAPAN's economic recovery were already pointed out by US Under-secretary of the Army DRAPER, who visited JAPAN in March. They were balanced public finance, increased production and extention of foreign trade. JAPAN's economy has for the most part been following this course since then. However, public finance has not been balanced fundamentally. Neither currency nor prices have shown much increase this year and inflation has not slackened. However, price revision was inevitable and the vicious cycle of wages and prices has not yet been broken.

The three economic principles, announced in November were designed to check inflation and cut the vicious cycle of wages and prices. With the enforcement of these strong measures, JAPAN's economy has entered a new stage. However, in view of the new supplementary budget estimates and wage revision in basic industries, such objectives have not yet been achieved. Supplementary appropriations are still enormous. Wage revision necessitates government subsidies. Moreover, an over-all settlement of strikes has not yet materialized. Yesterday's announcement was made under such conditions. Above all our efforts must be directed toward fixing a single exchange rate at the earliest possible date. However, this is no easy task. The stabilization of wages and prices is absolutely necessary. For this purpose, however, it will be most effective to find a new method, best suited to JAPAN's actual conditions. To this end, unbalance between wages and prices must be remedied. If the rate of exchange were set at 350 yen now, enterprises producing 60 percent of the exports would be unable to operate financially. Under such conditions, the readjustment of prices and wages must be made on a small scale, and revised wages must be stabilized. Moreover, the rationalization of the state and enterprises will be necessary. Accordingly, it is necessary that the nation, especially the working classes, be fully aware of the new situation and co-operate with the Government. The Government should be very cautious and must prepare to put these intensive policies into practice.

At any rate, the future course of Japanese economy is already set and in the interests of the people. Whether our living standards can be raised through the actual stabilization of JAPAN's economy depends upon how we bring these strong policies into effect.