

HEADQUARTERS
U.S. STRATEGIC BOMBING SURVEY
(Pacific)
APO 234c/o, PM SAN FRANCISCO

RESTRICTED

INTERROGATION NO. 380

PLACE: Tokyo
DATE: 17, Nov. 1945

Division of Origin: Overall Economic Effects.

Subject: HATTA, Yoshiaki-- President North China Development
Company.

Where Interviewed: Meiji Bldg. Room 748

Interrogator: Mr. Paul Baran.

Continued by : Mr. Galbraith.

Interpreter: Lt. McCoy.

Allied Officers Present: Mr. T. A. Bisson.

SUMMARY

Hatta attributed chief planning failure to extentions of plant capacity beyond the ability of Japan to provide needed raw or basic materials; also suggests that stocks were depleted in building the new plant just before the war.

He develops a typical Zaibatsu picture of events (control laws not "suitable", prices fixed too rapidly, subsidies came too late, nobody in industry prospered, but the boom profits percolated down to everybody, so there was no dissatisfaction with such houses as Mitsui).

His most valuable testimony is on prices, and his main emphasis on rigidity of the price structure with tardy adjustments undoubtedly valid, especially for the pre war (i. e. pre 1941) years, although later he indicates rather clearly that the purse strings were pulled out and thrown away. Such incentive, given earlier, was just what was needed, but it came too late.

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HATTA Yoshiaki.

Hatta Yoshiaki re-appointed a member of Cabinet Advisory Council 4/26/45.

Born: Sept. 14, 1879; o.s. Hatta Noriaki (or Saimei);
m. Tsuru, 2nd D. of Suga Yoshitane.

Career: Grad. of Tokyo Imperial Univ., civil engineering
1903.
Joined the Railway Ministry.
Director of Track Research Sect. of Railway Ministry.
Director of Construction Dept. of Railway Ministry.

1926-29 Vice-Minister of Railways.
1929 Retired from government service; and nominated to House of Peers.

1932-35 President of South Manchurian Railway; succeeded by Matsuoka Yoshisuke.

1936 Supreme Advisor to South Manchuria Railway.
1937-38 President (or Governor) of Tohoku Dist. Development Co., and Tohoku Dist. Development Electric Power Co., (Tohoku Kogyo K.K. and Tohoku Shinko Denryoku K. K.)

Oct. 1938
-Jan. 1939 Overseas Minister in 1st Konoye Cabinet.
Jan. 1939
-Aug 1939 Minister of Commerce and Industry in HIRANUMA Cabinet.

Jan 1939
-Apr 1939 Concurrently Overseas Minister in HIRANUMA Cabinet.

Sept 1939 until probably Oct. 1941 President of Japan Chamber of Commerce and Industry and concurrently President of Tokyo branch of same; succeeded Vice-Admiral GODO Takao.

1940 Also member of House of Peers and Director of Tohoku Railway Company.

Oct. 1941-
Nov. 1943 Railway Minister in TOJO Cabinet; Ministry abolished.

Nov 1 1943
-Feb 19 '44 Minister of newly established Transportation and Communication Ministry; succeeded by GOTO Keita.

May 5 1944 Appointed Advisor to Transportation and Communication Ministry.

Aug 21, 1944 Member of a committee of ten in House of Peers to be known as the iron-ore research group especially under the Research Association. First meeting to be held August 23, 1944.

Nov. 3 1944 As President of Japan Steel Tube Welding Control Assn. became Chairman of board of directors of same as president's system was abolished. The Control Assn. will become a member of the Air-craft Industrial Control Assn. (Romaji to GEA 11/3/44.

Nov 1 1944 Appointed President of newly established Dai Nippon Technology Association.

Dec 1944 Listed as Director of Economic League of Japan.

Feb 15 1945 Appointed member of Cabinet Advisory Council. Will be entrusted with the task of supervising land transportation by means of truck and carts. (Tokyo in English to America 2/15/45.)

HATTA YOSHIAKI

Biographical Scetch of Subject Continued.

Mar. 6, 1945. Appointed President of North China Development Co., succeeds TSUSHIMA Juichi, who became Finance Minister 2/21/45 succeeding ISHIWATA Sotaro in KOISO Cabinet.

Cabinet Advisory Council: 10/28/44 until present Post as of 5/15/45: President of North China Development Co.

END

- Q. What are your present positions?
- A. At present I am merely a member of the House of Peers. Earlier, I was Commerce and Industry Minister, Railway Minister, and Transportation and Communications Minister. For a shorter time, I was president of the North China Development Company.
- Q. What materials did Japan get from North China?
- A. Some coal, iron-ore, and aluminous shale.
- Q. Did you get significant quantities of these materials?
- A. No, not much. Transportation difficulties reduced the amounts, especially during the war. We tried to re-route into Manchukuo, but this made the congestion worse.
- Q. What development plans were undertaken?
- A. I was in North China only four months towards end of the war, so I am not too well acquainted with the earlier period. Our plans were also designed for a development that would help the Chinese people.
- Q. What exports were sent from Japan to balance the goods taken from North China?
- A. Early in the war such items as textiles.
- Q. Why did you have to occupy North China militarily to get this trade?
- A. I'm not sure- I cannot reply exactly, but I understand that to settle the Manchurian affair, it was necessary for North China to be occupied.
- Q. But why did you have to occupy it to get a large trade?
- A. The military people thought this was necessary.
- Q. Why did the business people support this?
- A. China was in disorder. The military felt it necessary to occupy the country but the other Japanese leaders did not think so. When the Army carried through this program, the people came around to accept it.
- Q. Did the business leaders influence the formulation of this policy?
- A. The business leaders had no direct influence on this policy. Once it was set they had to follow it.
- Q. Who made policy?
- A. From the time of the Manchurian Incident, the military took charge of policy. A momentum was set up which carried their policy through. The business leaders had to follow. At best they could retard it.
- Q. But who made the decisions?
- A. The Army. But who is the center of the Army? Nobody knows. It was like a current flowing through a large number of young officers in the army.
- Q. Why did the Army and Navy decide on war against the United States? Could Japan's economic potential support it?
- A. The scientific improvement of Japanese industry had just begun ten years ago. Then there were efforts to rationalize industry. Most of Japan's economic power was derived from imports and exports. A change in the ratio of light to heavy industry occurred. Then came the China War. But it broke out suddenly before Japan's industrial base was ready for it. In 1938, the Four-Year Industrial Plan was begun, especially for iron, coal and shipping. That plan failed of achievement but the failure was not explained to the people in the Diet.
- Q. Why did it fail?
- A. Many expansions of plant were planned. But the accumulated stocks of materials were spent in the extension of plant capacity. After the China Incident, stocks were high, but much was taken by the Army. Then imports from the United States were halted. The remaining stocks were used to

- expand plants. It was then found that there were not enough materials to run the expanded plants.
- Q. Why was it not obvious that with a big plant but not enough materials the plan could not work?
- A. This was the big mistake.
- Q. What was lacking?
- A. Steel and coal. It was hoped that bauxite could be obtained from the south, but not much came. The same story was repeated for coal from Indo-China, and iron-ore from Malaya and the Philippines.
- Q. Did you anticipate the large shipping demand?
- A. We started the war without sufficient preparation in that respect.
- Q. How did you pay for these materials?
- A. We planned to use stocks of consumers' goods, such as textiles and soap, but these diminished, and we ended by paying in paper.
- Q. That is, by confiscation?
- A. The payment (in goods) was started in good faith but the war efforts made it impossible to pay in goods. So finally we paid in paper. It was a problem at that time.
- Q. How about the development of Japan's output during the war? Was it well planned and organized?
- A. There was a condition of disagreement all the time, with the government against the producers. The control laws did not fit the real conditions at all.
- Q. What was the specific difficulty?
- A. The greatest effect was produced by the fixed level of prices set on September 18, 1939. This was an extreme blunder. It was fair for some, but unfair for others. At first it was planned to control basic materials prices, not consumer goods prices--that is, when was Commerce and Industry Minister. But in the end (Sept. 18, 1939), the level was fixed for all goods.
- Q. Were there not adjustments later?
- A. They were not actually carried through though they were announced or pledged.
- Q. Which industries were hurt by this policy?
- A. There were more losses than gains, with a resulting fall in production. All lines of industry were affected.
- Q. But this is a logical impossibility. Can a fixed price level hurt all industry?
- A. The materials would come in, but some would lag causing difficulties for all.
- Q. Which materials were under priced?
- A. The list is endless. The price of nails for example was fixed by weight. So the producers would manufacture only the longer nails, while the output of shorter nails would lag. Then there would be an adjustment by the government, but too late to avoid the damage.
- Q. Was business not dissatisfied? What did it do?
- A. Yes. Day by day business proposed changes, but conditions did not improve. Once a decision was taken by the government, it could not be easily changed.
- Q. In Germany there was a possibility of adjustments. Why not here?
- A. In Japan, it was very rigid. Once the government took a decision, it did not change.
- Q. What was the condition of the railways at the beginning of the war?
- A. Not so bad, not so good. In the U. S. A. there are long lines, with 60% of goods carried by railways, 20% by truck to pipeline, and only 10% by water.

No cargo was needed for the war. But in Japan 66% was carried by sea in large or small ships with only one-third carried by railways. When the war came, the government tried to build new ships. But the war intensified rapidly, and shipbuilding could not keep up. Coastline vessels were diverted to ocean transport. So more freight had to be carried by the railways. When this developed the load became too heavy, there was great congestion and railway operations were disorganized. The Tokyo-Osaka line was improved. But the line from Osaka to Shimonoseki was very poor-it was being improved when the war began. Freight cars were small (13 to 18 tons each, with the average being 12 tons) and therefore inefficient.

- Q. How did the curve run? Was there a steady decline?
A. The freight carried increased up to 1943, then it declined. Usually we had 300,000 tons of steel a year for new freight cars. During the war this amount fell to only 150,000 tons.
- Q. Did the air attack interfere with rail transport?
A. Not so much at first. Only toward the end.
- Q. How quickly could you make repairs?
A. It was easy to repair the tracks, but hard to get cars due to lack of materials.
- Q. How about bridges?
A. The small ones were easy to handle, but the big span bridges presented great difficulties. In the rainy season it was impossible to repair the big bridges.
- Q. The air raids apparently destroyed rail terminals. Was this a significant factor?
A. It would have been difficult if the large marshaling yards had been affected, but these were not hit.
- Q. Our understanding is that the Control Associations were organized by big business. Why was the control they exercised not efficient?
A. The Control Association were not set up as it had been hoped. It was intended that control should be in public hands, but actually the government kept control. It only seemed to be controlled by the public.
- Q. Was the Munitions Ministry not dominated by the business leaders?
A. It seemed to be a public organization, with the industrialists in power. But it was still a government agency. The control relations worked from above, not from below.
- Q. How are present transport conditions?
A. Very Bad. They must be improved.
- Q. How?
A. More freight cars are chiefly needed. Also new locomotives. The permanent way is not so bad.
- Q. How many new cars are needed?
A. Thirty percent of the cars were lost during the war.
- Q. Are there enough plants to build the new cars?
A. Some of the railway workshops were destroyed, but other facilities can be used-e.g. the munitions factories could be converted to this use.
- Q. What general comments would you make on price control measures?
A. In July 1937 Japan had large stocks of materials. Six months later it was realized that the stocks were being used up. Within a year prices were set for basic materials. In 1939, we introduced the "nail down" price system, following the German model of 1936. Germany adjusted her prices smoothly, but Japan failed to make necessary adjustments in the system. So industry lost hope and many articles went out of production*- especially small items, like nails which were highly important in the technical sphere. The major articles were produced in sufficient amounts.

- Q. What was done for prices of imported goods?
A. They were kept at a low level to fit the low price system.
- Q. Then were subsidies paid?
A. No, except for copper and lead, if they were bought at the maximum price. Local products and imports were pooled and the government made up the difference. If imported copper was cheaper, then adjustments were made by subsidy (to the local producers, that is).
- Q. How about rice? Did its price rise during the war?
A. It rose, but the government tried to keep it down through strict control measures. The price increased somewhat.
- Q. Was this rise permitted?
A. To some extent the official price was raised, but the black market price was far higher.
- Q. What percent of consumer goods was supplied by the black market?
A. A small amount. Many people were in the black market, but the individual transactions were small and the total amount relatively small. It was used to keep supplies up to a minimum consumption over and above the rationed goods. Most of the people did not have enough money to pay high prices on the black market for any great amount of goods.
- Q. Specifically, what percent was supplied by the black market?
A. As a rough estimate, about 1 percent of rice. The crowded interurban trains look as if all people are carrying food, but it is a very small amount in total.
- Q. What goods were rationed?
A. Rice, wheat, potatoes, beans, bean curd, were the most important.
- Q. Any others than food?
A. Textiles and fuel.
- Q. Is it generally true that the workers had more money than they could spend?
A. The salaried class was hard hit. Factory workers were the main overpaid group and large numbers were in the black market.
- Q. Was there a shortage of food?
A. An apparent one due to the military accumulating excess stocks in preparation for future eventualities.
- Q. How much was paid in overtime?
A. About double. But within any given factory it is difficult to tell what they were paying. Bonuses, etc., were paid in addition to the wage.
- Q. The prices of civilian goods were fixed, but war goods were not. Was there any dissatisfaction?
A. Not in general.
- Q. Was there a change to the production of essential civilian goods?
A. These were, in fact, stopped. The movement was into munitions factories. It depended on the bait-food, shoes, etc. When this was favourable in any industry, the movement went in that direction.
- Q. What industries were mainly affected by labor turnover?
A. Main trouble came from the movement of workers in the mines and small factories. Actual physical constraint could not be used on the miners, and they left. The smaller sub-contracting factories also lost many workers.
- Q. Did the civilian goods producers resent the higher prices paid for munitions goods? Was there dissatisfaction that the big arms manufacturers were profiteering?
A. All were operating at a loss. There was no feeling of getting fat. There was a system of fixed prices, with subsidies as the costs rose. The costs rose higher than the subsidies.
- Q. But was there not dissatisfaction on the part of civilian goods producers that the others were making more?

- A. In the early period both were in about the same position. Both found it hard to get anywhere. Later, as controls lessened, it was possible that the civilian goods producers became discontented with the situation.
- Q. The Mitsui donations before the war indicated a desire by ZAIBATSU to appease criticism and opposition. As the war progressed did the people feel that conditions improved in this regard, or did criticism of the ZAIBATSU mount?
- A. Dissatisfaction existed among the common people who did not have jobs in the munitions industry. Actually the benefits percolated down to all the people, who benefited. There were more and more subsidies, and the money came down through the many sub-contractors to everybody. There was no feeling against Mitsui or the other ZAIBATSU. The jealousy existed when one's next door neighbor had a good job somewhere, but you didn't.
- Q. How was price for contracted air-craft fixed?
- A. The cost price was figured by the military and a profit added.
- Q. Was it generous or not?
- A. I suppose that cost-plus fee was very severe in the early days, but later they were more inclined to pay more liberally and so to increase production.
- Q. Did the cost-plus system promote inefficiency?
- A. The production fell under this system because there were no specialists who understood it. So it created difficulties. There was no experience with it as in the U. S. A. It could be used to good effect for civilian production, but not in the munitions factories, where it was brand new and the fluctuation that developed made it difficult to work.
- Q. Were there excess profits taxes?
- A. Yes, very heavy.
- Q. What percent of the budget was covered by taxes?
- A. Possibly 30 percent.
- Q. Then you used borrowing?
- A. Yes, there were very large bond issues.
- Q. What was the rate of interest on bonds?
- A. $3\frac{1}{2}$ percent.
- Q. Did the government obtain all it needed by bonds or did it have to print money?
- A. It got all it needed to have at the end of the war by bonds.