GHQ/SCAP Records(RG 331)
Description of contents

THE NATIONAL ARCHIVES OF THE UNITED STATES

(1) Box no. 2143

(2) Folder title/number: (19) (end)
Finance

(3) Date: Sept. 1945 - Oct. 1951

(4) Subject:

Classification	Type of record
324	a, c, e

(5) Item description and comment:
Includes Contents List

(6) Reproduction: (Yes) No

(7) Film no. Sheet no.

File Under Finance Page

NO.	FROM	DATE	TO	SYNOPIS
45	Pub.Finance Division	30 Nov 50	Ministry of Finance	Yen transfer to Counterpart Fund
45 A	" " "	5 Jan 51	Min.of Fin.	Yen Transfer to Counterpart Fund
46	Pub.Finance Division	23 Jan 51	Ministry of Finance	Yen transfer to Counterpart Fund
47	Pub.Finance Division	15 Feb 51	Ministry of Finance	Yen Transfer to Counterpart Fund
48	JMDodge	29 Mar 51		The Use of Deposit Bureau Funds (Copy)
49	Cof S	31 Mar 51	Chief GS	Draft Legislation (Trust Fund Bureau Fund Bill)
50	ESS	31 May 51	Min of Fin	Yen Transfer to Counterpart Fund
51	ESS/Fin	31 Oct 51	" " "	Yen Transfer to Counterpart Fund

Finance

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FROM	DATE	TO	SYNOPIS
	1949		
43	GS	16 May	ESS	Proposed Directive to Forbid Excessive Expenditures by the Japanese Government
44	CofS	30 July	GS	Basis of Occupation Costs

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	FROM	DATE	TO	SYNOPIS
		1948		
39	SCHARPF	11 Oct	WHITNEY	enclosed correspnndence to Gen. Whitney.
40.	E.S.S.	5 Nov.	Min.ofEd.	Appropriation of Funds for Scientific and Technical Activities.
41.	E.S.S.	5 Nov.	Min.of Com. & Industry	Appropriation of Funds for Scientif-ic & Technical Activities.
42	SRS	16 Nov.	GS	Preparation of Monograph "Public Finance"

	FROM	DATE	TO	SYNOPSIS
33	PH & W	15 July	ESS-GS	Special Repatriation Loans
34	--------	------	------	Ministry of Finance The Japanese Gov't Names of Personnel
35	GS	5 Aug	FD	Payment of Non-Military Witnesses Military Tribunals
36	CIE	12 Aug	GS	Teikoku Bank Reorganization
37	GS	17 Aug	ESS	Teikoku Bank Reorganization
38	WHITNEY	15 Sept.	BOARD OF AUDIT	Audit of the Reconstruction Finance Bank

	FROM	DATE	TO	SYNOPIS
		1948		
22		20 Jan 1120 Hrs.		Telephone call From Captain Ghent, and Col. Echols: (The Story of Travelling Expenses in Name Only)
23	G-2	20 Jan	GS	Comminist Party Plan to Deceive GHQ and the Japanese Government
24	WILLIAMS	2 Feb		H.R. Resolubion: Resolubion on Raise of Railway Fares
24A	ESS	3 Beb	GS	Procedure in the Office of the Ministry of Finance
25	MARQUAT	17 Feb		Payments without Diet Appropriations
26	OGA	26 Feb	GS	Personnel Justifications
27	GS	28 Feb	GPA	Personnel Justification
28	LS	29 Mar	ESS/FI	Amendments to Law Regarding the Emergency Measures for the Accounts of Financial Institutions--Law No 6
29	CIE	18 Apr	GS	Government Subsidy of Social Education Projects.
30	GS	19 May	CI&E	GS concurs with the Proposed 3rd Ind.
31	GS	3 Jun	ESS	Okinawa Prefectural Government In Japan
32	CS	8 June	ESS	Resignations of Members of Local Finance Comm.

	FROM	DATE	TO	SYNOPIS
		1947		
11		1947		Campaign Expenditures
12	ELLERMAN	3 Jan		Investigating the National Relief Assoc.
13	NORSTAD	6 Jan		Reestablishment of Remittance Facilities Between the United States and Japan through Commercial Banking Channels
14	GS	22 Jan	G-4	Occupation Costs
15	GS	12 Feb	DS	Collection of Coupons, Interest or Dividends on French Securities Held in Japan
16	NR	25 Jul	GS	Application to Japanese Gov't to obtain Finances for New Business Venture
17	ESS	1 Oct	GS	Local Finance Policy
18	KADES	10 Oct	C/GS	Imperial Princes: Payment to Those who are Purgees
19	SWOPE	15 Nov		Expenditure of Funds by the Imperial Household Offices
20	SWOPE	21 Nov		Expenses Incurred on the Emperor's Tours
21	MCCORMICK	25 Nov	DC/GS	Qualifications and Salaries of Judges
21A	Schnelle	19 Dec.	Loc.Gov't. Division	Memorandum of Transmittal of Letter Concerning Town & Village Finance.

File under no. FINANCE Page No- I

	FROM	DATE	TO	SYNOPIS
		1945		
1	SUZUKI	9 Sep		Supplementary Military yen Currency
2	SUZUKI	16 Sep		Use of Supplemental Yen (Type "B") United States Dollars, and other Foreign Currency
3		16 Sep		Statement by the Imperial Japanese Ministry of Finance
4	FAIR	30 Spp		Closing of Colonial and Foreign Banks and Special Wartime Institutions
		1946		
5	ESS/FI	2 Feb	G-4	Price and Wage Control, Collection and Distributi n of Essential Commoditities
6	RIZZO	3 Feb	E&SS	Japanese Governments Measures to Combat Inflation
7		7 Feb	ESS/FI	Price and Wage Control, Collection and Distributi n of Essential Commodities
8	MARQUAT	25 Feb		Delivery of Records and other Pro perty of ClosedInstitutions to the Committee of Conservators
9	MARQUAT	25 Feb		Payment of Salaries and other Necessary Expenses of the Banque de L' Indo-China
10	GS	12 Apr	ESs/FI	Closed Institutions and Time Limits on Legal Action for Recourse
10A	FISCAL DIRECTOR	5 Sept.	GS	Additional Funds for GARIOA, Project 411

G.S

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Economic and Scientific Section
APO 500

123(31 Oct 51)ESS/FIN 31 October 1951

MEMORANDUM FOR: Ministry of Finance
Ministry of International Trade and Industry

SUBJECT: Yen Transfer to Counterpart Fund

1. Reference is made to Memorandum for the Japanese Government from General Headquarters, Supreme Commander for the Allied Powers, AG 091.31(1 Apr 49)ESS/EX, SCAPIN 1988, 1 April 1949, subject: Yen Counterpart of GARIOA and EROA Imports, and Memorandum to the Ministries of Finance and International Trade and Industry from the Chief, Economic and Scientific Section, 123(29 Sep 51)ESS/FIN, 29 September 1951, subject: Yen Transfer to Counterpart Fund.

2. The report of American Aid Imports into Japan for the month of August 1951 prepared by the Ministry of International Trade and Industry has been received and noted. Additional amendments to reports of American Aid Imports as indicated below have been received and necessary adjustments effected:

Report April 1951 - Deduction for damage to wheat shipment.

Report May 1951 - Addition for correction of amount of wheat received.

Report July 1951 - Deduction for transportation of Army cargo by SCAJAP Tanker.

3. The Japanese Government is directed to deposit in the Counterpart Fund for United States Aid to Japan the sum of ¥392,808,952.80 the yen equivalent of the U.S. dollar amount reported and not yet deposited. Including above deposit, the directed yen transfers to the Counterpart Fund to date total ¥283,727,684,600.20.

4. Deposit required per paragraph 2 will be accomplished within 48 hours after receipt of this memorandum and written report of the transfer when accomplished will be made by the Ministry of Finance to the Economic and Scientific Section.

FOR THE CHIEF, ECONOMIC AND SCIENTIFIC SECTION:

for E. M. REED
Chief, Finance Division

Copies to: MOF (2), Govt Sec, SRS, ESS (3), CIE, DS (10)

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Economic and Scientific Section
APO 500

123(31 May 51)ESS/FIN 31 May 1951

MEMORANDUM FOR: Ministry of Finance
Ministry of International Trade and Industry

SUBJECT: Yen Transfer to Counterpart Fund

1. Reference is made to Memorandum for the Japanese Government from General Headquarters, Supreme Commander for the Allied Powers, AG 091.31(1 Apr 49)ESS/EX, SCAPIN 1988, 1 April 1949, subject: Yen Counterpart of GARIOA and EROA Imports, and Memorandum to the Ministries of Finance and International Trade and Industry from the Chief, Economic and Scientific Section, 123(30 Apr 51)ESS/FIN, 30 April 1951, subject: Yen Transfers to Counterpart Fund.

2. The report of American Aid Imports in Japan for the month of March 1951, prepared by the Ministry of International Trade and Industry has been received and noted. Additional amendments to reports of American Aid Imports as indicated below have been received and necessary adjustments effected:

Report covering October 1949 to January 1950 - Return of motor parts to U. S. Army.
Report April 1950 - Deduction for miscomputation of wheat shipment.
Report May 1950 - Deduction for damage to wheat shipment.
Report July 1950 - Deduction for miscomputation of wheat shipment.
Report September 1950 - Addition for correction of amount of wheat and barley received.
Report October 1950 - Addition for correction of unit price of wheat, and delayed receipt for barley shipment.
Report November 1950 - Deduction for change of unit price of wheat.
Report December 1950 - Addition for change of unit price of wheat and delayed receipt of POL.
Report January 1951 - Deduction for insurance and freight, delayed receipt for POL and change of unit price of wheat.
Report February 1951 - Addition for insurance and freight, delayed receipt for POL and change of amount of wheat.
Report March 1951 - Deduction for change of unit price of wheat, change of amount of cotton and for insurance, freight, etc.

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123(31 May 51)ESS/FIN, 31 May 1951
Subj: Yen Transfer to Counterpart Fund

3. The Japanese Government is directed to deposit in the Counterpart Fund for United States Aid to Japan the sum of ¥3,131,298,365.60, the yen equivalent of the U. S. dollar amount reported and not yet deposited. Including above deposit, the directed yen transfers to the Counterpart Fund to date total ¥263,920,529,287.00.

4. Deposit required per paragraph 2 will be accomplished within 48 hours after receipt of this memorandum and written report of the transfer when accomplished will be made by the Ministry of Finance to the Economic and Scientific Section.

FOR THE CHIEF, ECONOMIC AND SCIENTIFIC SECTION:

E. M. REED
Chief, Finance Division

DISTRIBUTION:
Min of Fin - 2
Govt Sec
SRS
ESS - 3
CIE
Dip Sec - 10

Draft Legislation

CofS	Chief, ESS Chief, GS (in turn)	31 March 51

4 The policy which will be applied in this case is set forth in my C/M #5, dated 30 March 1951, subject as above.

- -D. O. H.- - - - - - - - - - - - - - - - -

additional papers on this subject filed in "Draft Legislation" C-18-D

3 1. The Japanese Government on 26 February 1951 submitted for GHQ clearance the Trust Fund Bureau Fund Bill (Tab A) prepared by the Finance Ministry to implement a recommendation made by Mr. Dodge (Tab B). GHQ clearance was given three days later. On 23 March, GHQ received from the Finance Committee of the House of Representatives a proposed amendment to the Government bill (Tab C). By Check Note No. 2 above dated 28 March, ESS has recommended disapproval of the amendment on the ground that it violates Mr. Dodge's recommendation.

2. GS believes that the action recommended by ESS constitutes excessively rigid control of the type which should no longer be exercised over the Japanese Government at this stage of the Occupation. Even if the proposed amendment were adopted by the Diet, which is not a foregone conclusion, GS is convinced that there would be no clear violation of any explicit SCAP directive or policy, for the substance and principle of the Dodge recommendation would still be effectuated. It should be noted, first, that the amendment deals only with the accumulated reserves of the Post Office Life Insurance and Postal Annuity Special Accounts and, second, that even as to these funds it would not exempt them from the centralized control of the Trust Fund Bureau, as provided in the Government bill, until the fiscal year 1952-53.

3. An analogous situation arose last spring in connection with the Local Tax Bill framed by the Japanese Government to implement the local government finance portions of the Shoup Mission's recommendations. That bill was killed at the 7th Diet Session because certain amendments proposed by members of the House of Councillors were flatly disapproved by GHQ on the ground that they violated Dr. Shoup's recommendations. On that occasion, General MacArthur publicly commented that "...whereas the resulting lack of essential revenue sources to finance local government cannot fail to hamper the efficient operation of local public services, both sides on the issue acted in full accord with the Constitution and pertinent laws and the legislative stalemate which resulted was not unusual under the democratic process in comparable situations" and expressed full confidence that "...once the coming election is out of the way, the Diet will proceed with resolution, statesmanship and unity of purpose to discharge its attendant responsibility in implementation of this phase of the Economic Stabilization Program." At the very next Diet Session, when GHQ permitted certain amendments to be introduced, the bill was readily enacted with large majorities in both Houses. GS believes that in the present instance, as in the case of the Local Tax Bill, the principle of the Dodge recommendation can best be implemented by adopting a reasonable attitude toward the Diet's right of

3 (Contd) legislative deliberation.

4. By continuing to exercise inflexible and detailed control such as recommended by ESS in this instance, GHQ invites the onus for any miscarriage of programs which Japanese governmental and political leaders should carry out on their own responsibility. An artificial situation is thereby created, wherein Diet members accuse the Government of trampling on their constitutional functions and the Government in turn passes the blame to GHQ. In the present instance, this evil is accentuated by the long record of political tug-of-war between the Finance Ministry and the Postal Services Ministry (formerly Communications) over the control of postal funds in Japan -- a contest which dates from the Meiji era. By first clearing the Trust Fund Bureau Fund Bill and then rejecting the House of Representatives-proposed amendment thereto, the Supreme Commander will be injected squarely into the middle of this long-standing internal Japanese political struggle.

5. A significant indication of the tendency to unburden on SCAP the onus for politically unpalatable measures may be seen in the fact that Representative Osanori KOYAMA of the Finance Committee, who sponsored the amendment in question, is a member of the Liberal Party. His action is designed, on the one hand, to cater to the political sympathies of the Diet members, as expressed in official resolutions adopted by both Houses two years ago favoring retention of postal funds control by the Postal Services Ministry, and, on the other, to afford him and his colleagues an alibi in the event the amendment is rejected by SCAP. This political by-play on the part of a member of the Government party, which is contrary to the accepted rules of party discipline, is tolerated only because the leaders confidently anticipate that GHQ will turn down the proposed amendment, thus permitting them all to make political capital in the forthcoming local elections at the expense of the Supreme Commander.

6. The issue involved in the Government bill and the proposed amendment is one which should be resolved in the Diet free of interference from GHQ. Only thus can the Government and the Diet function responsibly in the performance and fulfillment of their duties and obligations to both the Japanese people and the Supreme Commander. This is particularly important in view of the impending peace treaty and the complete removal of Occupation controls which will follow. Of course, any delegation of responsibility involves certain calculated risks, but the SCAP's inherent authority to set aside or invalidate any governmental act which contravenes his policies provides adequate safeguard.

3 (Contd) 7. The need for action by GHQ on the proposed amendment is urgent, for until the Diet has a categorical clearance or rejection of the amendment it will not proceed with deliberation on the Government's bill which, in turn, has important implications bearing on the JFY 1951-52 budget effective 1 April. The Government has expressed grave concern lest its bill be defeated by filibuster, and both the Government and the Diet have been pressing for an immediate decision. Any delay in resolving this issue which would prevent Diet action before the five-week recess beginning at midnight 31 March will give rise to the charge that basic legislation has been killed by dilatoriness on the part of GHQ, a charge which is already being heard in Japanese circles.

8. Since this issue is closely related to that now awaiting higher decision (Ref: GS CN of 10 Feb 51 to C/S, subj: Draft Legislation) and involves the same fundamental difference of opinion between ESS and GS concerning freedom of legislative deliberation, the question is referred to the Chief of Staff for appropriate instruction.

3 Incls
2 n/c
1 Tab A Govt Bill

- - - - - - - - - - - - - - - - - - C. W. -

COPY

GS file
29 Mar. '51

THE USE OF DEPOSIT BUREAU FUNDS

Joseph M. Dodge

The resources of the Deposit Bureau come from the savings, insurance and welfare accumulations of millions of Japanese people, and principally from postal savings deposits, post office life insurance and welfare unemployment payments.

Deposited or paid in relatively small amounts of money, these funds are the security and the protection of a multitude of individual savers and owners of insurance.

If there should be one controlling principle in connections with the use of these funds, it should be that of providing absolute safety to the individual owners of the money.

The savings of the people of Japan accumulated in the Deposit Bureau have been protected by limiting their investment to national government and local government loans or securities. This should be applauded and not condemned. It should be noted that complaints about this policy do not come from the depositors of the funds, but from those eager to have use of the money.

The demand for longer term investment purposes has given rise to contentions that these funds should be used to make direct loans to industry to provide for industrial expansion and improvements or for other similar purposes.

If such loans were made from the Deposit Bureau funds, it would expose the individuals who made the deposits to all of the risks of private enterprise investments in an economy struggling to recover and rehabilitate itself and subjected to all the uncertainties of a very disturbed world situation which is particularly evident in the Far East.

The very fact that such a fund of savings exists, that it is composed of personal savings and that a normal use of part of such funds is investment in longer term securities, encourages unreasonable demands and expectations. Certainly, every industry and enterprise would like to reach directly into this large basket of money, either to refinance some present burden of debt or to acquire the financial means through which to further some business or industrial project. But loans or securities of this kind would bear a greater amount of risk, no matter how carefully selected, than such a fund should have.

It would be significant that the owners of these funds, (who are the people who have made the deposits or have purchased the insurance) have selected this place for their savings with the intention of obtaining safety. If they had not, they could have made direct personal investments

Tab B

in the securities or other obligation of business and industry. The very fact of this voluntary choice of safety only serves to emphasize the necessity to make it so.

On the other hand, these funds represent the most substantial single accumulation of savings in the nation. Because of that, they usually are considered particularly appropriate as a source of part of the funds for sound longer term security investments.

This conflict between the nature of the funds and their possible uses creates an investment problem.

Recognizing the desirability of making a limited part of these Deposit Bureau Funds available for sound purposes, other than national or local government obligations, a plan has been worked out and agreed to by GHQ to accomplish this purpose. Necessary supplementary details will have to be worked out and agreed upon but the fundamentals of the plan are as follows:

The name of the Deposit Bureau will be changed to the Trust Fund Bureau.

The Trust Fund Bureau will issue fixed interest rate Trust Fund Certificates to the Postal Minister and each other category of funds that flow into it. This Trust Fund Certificate will be the sole investment of these supplementary funds.

The Trust Fund Bureau will be the final receiver, administrator and investor of all of the moneys received by the supplementary funds and will hold all present and future investments of those funds just as the Deposit Bureau does now. It will maintain an adequate cash reserve and short-term investments with which to meet any usual or unusual cash payment needs of the supplementary funds which can acquire cash by surrendering Trust Fund Certificates to the Trust Fund Bureau.

The Trust Fund Bureau, as the agency for holding, accounting for, and investing the funds, will be guaranteed against any loss by the national government. This will serve as a guarantee of the Trust Fund Certificates issued by it and held by the supplementary funds as their direct investment.

Thus, the Trust Fund Bureau becomes the trustee for the different categories of funds heretofore accumulated in the Deposit Bureau and the individual depositors of those funds. It will be backed by national government guarantee that its invested funds will remain unimpaired. As a result, the Trust Fund Bureau can be permitted to place part of its funds to safe and constructive uses for the development of the economy.

This will be done by the absorption of bank debentures which provides a wide diversification of uses and areas, plus the intermediate protection of the bank assumption of the financing risk and the advantage

of the funds being put to use through the normal channels of the private banking system.

A maximum of safety requires that the investments of the Trust Fund Bureau be carefully selected and limited. Whatever measure of risk is taken must be reduced to the minimum. There will be appropriate limitations on the amount that can be invested in any one investment project. The investment of the funds cannot be influenced by their original source and the funds cannot be permitted to go into uses for purposes that are more political than necessary, constructive and safe.

The fundamental obligation of the Trust Fund Bureau is to protect the small savers, to give them safety and security and not to provide credit to those who may eagerly seek an opportunity to use part of these funds for their own business purposes and their own profit.

The combination of a government guarantee against investment losses to the Trust Fund Bureau and the new form of Trust Fund Certificates issued by the Trust Fund Bureau to the supplementary sources of its funds will permit a wider use of the moneys heretofore accumulated in the Deposit Bureau.

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Economic and Scientific Section
APO 500

123(15 Feb 51)ESS/PF

15 February 1951

SUBJECT: Yen Transfer to Counterpart Fund

TO: Ministry of Finance, No. 6 Honshio-cho, Yotsuya, Tokyo, Japan

Ministry of International Trade and Industry, 3-4 Kasumigaseki Chiyoda-ku, Tokyo, Japan

1. Reference is made to Memorandum for the Japanese Government from General Headquarters, Supreme Commander for the Allied Powers, AG 091.31 (1 Apr 49)ESS/EX, SCAPIN 1988, 1 April 1949, subject: Yen Counterpart of GARIOA and EROA Imports, and Memorandum to the Ministries of Finance and International Trade and Industry for the Chief, Economic and Scientific Section, 123(23 Jan 51)ESS/PF, 23 January 1951, subject: Yen Transfer to Counterpart Fund.

2. The amended report of American Aid Imports in Japan for the month of November, prepared by the Ministry of International Trade and Industry has been received and noted. Additional amendments to reports of American Aid Imports as indicated below have been received and necessary adjustments effected:

Report February 1950 - Delayed receipt for imports received.

Report March 1950 - Delayed receipt for imports received.

Report May 1950 - Delayed receipt for imports received.

Report October 1950 - Correction of unit price of streptomycine received and delayed receipt for imports of cotton linters received.

3. The Japanese Government is directed to deposit in the Counterpart Fund for United States Aid to Japan the sum of ¥ 6,279,075,982.80, the yen equivalent of the U. S. dollar amount reported and not yet deposited. Including above deposit, the directed yen transfers to the Counterpart Fund to date total ¥ 251,943,955,312.60.

4. Deposit required per paragraph 2 will be accomplished within 48 hours after receipt of this memorandum and written report of the

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transfer when accomplished will be made by the Ministry of Finance to the Economic and Scientific Section.

FOR THE CHIEF, ECONOMIC AND SCIENTIFIC SECTION:

E. M. REED
Chief
Public Finance Division

DISTRIBUTION:
Min of Fin - 2
Govt Sect
SRS
ESS - 3
CIE
Dip Sect - 10

REPRODUCED AT THE NATIONAL ARCHIVES PURSUANT TO E.O. 13526 AND 5(B) AND 5(D) OR (E) AND P

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GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Economic and Scientific Section
APO 500

123(23 Jan 51)ESS/PF 23 January 1951

SUBJECT: Yen Transfer to Counterpart Fund

TO: Ministry of Finance, No. 6 Honshio-cho, Yotsuya, Tokyo, Japan

Ministry of International Trade and Industry, 3-4 Kasumigaseki Chiyoda-ku, Tokyo, Japan

1. Reference is made to Memorandum for the Japanese Government from General Headquarters, Supreme Commander for the Allied Powers, AG 091.31 (1 Apr 49)ESS/EX, SCAPIN 1988, 1 April 1949, subject: Yen Counterpart of GARIOA and EROA Imports, and Memorandum to the Ministries of Finance and International Trade and Industry for the Chief, Economic and Scientific Section, 123 (5 Jan 51)ESS/PF, 5 January 1951, subject: Yen Transfer to Counterpart Fund.

2. The amended report of American Aid Imports in Japan for the month of October, prepared by the Ministry of International Trade and Industry has been received and noted. Additional amendments to reports of American Aid Imports as indicated below have been received and necessary adjustments effected:

Reports January 1950 thru July 1950 - Deduction for bottom slag and water on crude oil shipments.

Report September 1950 - Deduction for damage on wheat shipment, and correction of unit price on wheat shipment.

Reports July 1950 thru August 1950 - Correction of freight rate on POL carried for U. S. Army.

3. The Japanese Government is directed to deposit in the Counterpart Fund for United States Aid to Japan the sum of ¥ 8,472,399,796.80, the yen equivalent of the U. S. dollar amount reported and not yet deposited. Including above deposit, the directed yen transfers to the Counterpart Fund to date total ¥ 245,664,879,329.80.

4. Deposit required per paragraph 2 will be accomplished within 48 hours after receipt of this memorandum and written report of the

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1937

DOCUMENT DECLASSIFIED BY: EO 12958 SEC. 3(E) AND 3(B) OR (E) NNDB # 775 072

123(23 Jan 51)ESS/PF
Subj: Yen Transfer to Counterpart Fund

transfer when accomplished will be made by the Ministry of Finance to the Economic and Scientific Section.

FOR THE CHIEF, ECONOMIC AND SCIENTIFIC SECTION:

E. M. REED
Chief
Public Finance Division

DISTRIBUTION:
Min of Fin - 2
Govt Sect
SRS
ESS - 3
ESS/PF - 5
CIE
Dip Sect - 10

AUTHORITY FOR THIS DET'N: 5(E) AND 5(D) OR (E) NNDB # 775 012

121

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Economic and Scientific Section
APO 500

123(5 Jan 51)ESS/PF 5 January 1951

SUBJECT: Yen Transfer to Counterpart Fund

TO: Ministry of Finance, No. 6 Honshio-cho, Yotsuya, Tokyo
Japan

Ministry of International Trade and Industry, 3-4 Kasumigaseki
Chiyoda-ku, Tokyo, Japan

1. Reference is made to Memorandum for the Japanese Government from General Headquarters, Supreme Commander for the Allied Powers, AG 091.31 (1 Apr 49) ESS/EX, SCAPIN 1988, 1 April 1949, subject: Yen Counterpart of GARIOA and EROA Imports, and Memorandum to the Ministries of Finance and International Trade and Industry for the Chief, Economic and Scientific Section, 123 (30 Nov 50) ESS/PF, 30 November 1950, subject: Yen Transfer to Counterpart Fund.

2. The amended report of American Aid Imports in Japan for the month of September, prepared by the Ministry of International Trade and Industry has been received and noted. Additional amendments to reports of American Aid Imports as indicated below have been received and necessary adjustments effected:

Reports January 1950 thru April 1950 - Delayed receipts for imports received.

Reports June 1950 thru August 1950 - Delayed receipts for imports received.

Report February 1950 - Correction of amount of raw cotton received.

Report April 1950 - Correction of amount of manganese ore received.

Report August 1950 - Correction of unit price of wheat and asbestos fiber received.

Report August 1950 - Delayed receipt for bunker fuel oil.

3. The Japanese Government is directed to deposit in the Counterpart Fund for United States Aid to Japan the sum of ¥ 14,103,202,978.80, the yen equivalent of the dollar amount reported and not yet deposited. Including above deposits, the directed yen transfers to the Counterpart Fund to date totals ¥ 237,192,479,533.00.

45A

1610

123(6 Jan 51)ESS/PF
Subj: Yen Transfer to Counterpart Fund

4. Deposit required per paragraph 2 will be accomplished within 48 hours after receipt of this memorandum and written report of the transfer when accomplished will be made by the Ministry of Finance to the Economic and Scientific Section.

FOR THE CHIEF, ECONOMIC AND SCIENTIFIC SECTION:

E. N. REED
Chief
Public Finance Division

DISTRIBUTION:
Min of Fin - 2
Govt Sect
SRS
ESS - 3
ESS/PF - 5
CIE
Dip Sect - 10

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Economic and Scientific Section
APO 500

123(30 Nov 50)ESS/PF

30 November 1950

SUBJECT: Yen Transfer to Counterpart Fund

TO: Ministry of Finance, No. 6 Honshio-cho, Yotsuya, Tokyo
Japan

Ministry of International Trade and Industry, 3-4 Kasumigaseki
Chiyoda-ku, Tokyo, Japan

1. Reference is made to Memorandum for the Japanese Government from General Headquarters, Supreme Commander for the Allied Powers, AG 091.31 (1 Apr 49)ESS/MX, SCAPIN 1988, 1 April 1949, subject: Yen Counterpart of GARIOA and ERQA Imports, and Memorandum to the Ministries of Finance and International Trade and Industry for the Chief, Economic and Scientific Section, 123 (31 Oct 50)ESS/PF, 31 October 1950, subject: Yen Transfer to Counterpart Fund.

2. The amended report of American Aid Imports in Japan for the month of August, prepared by the Ministry of International Trade and Industry has been received and noted. Additional amendments to reports of American Aid Imports as indicated below have been received and necessary adjustments effected.

Report May 1950 - Delayed documents related to POL received.

Report April 1950 - Delayed receipts for import received.

Reports May, June, November 1949 - Reporting of prices previously unknown and omitted receipts for imports.

Reports September 1949 to January 1950 - Motor spare parts returned to U. S. Army.

Reports April 1950 to date - Adjustment for Freight, Insurance, Heating Charges and Demurrage incident to replacing Army POL cargo previously released to the Japanese Government as American Aid.

3. The Japanese Government is directed to deposit in the Counterpart Fund for United States Aid to Japan the sum of ¥ 6,527,518,111.60, the yen equivalent of the dollar amount reported and not yet deposited. Including above deposits, the directed yen transfers to the Counterpart Fund to date totals ¥ 223,089,276,554.20.

4/5

1375

DECLASSIFIED E.O. 12958 SEC. 3(E) AND 3(B) OR (E) NNDB # 775 072

123(30 Nov 50)ESS/PF
Subj: Yen Transfer to Counterpart Fund

4. Deposit required per paragraph 2 will be accomplished within 48 hours after receipt of this memorandum and written report of the transfer when accomplished will be made by the Ministry of Finance to the Economic and Scientific Section.

FOR THE CHIEF, ECONOMIC AND SCIENTIFIC SECTION:

E. M. REED
Chief
Public Finance Division

DECLASSIFIED BY: Pursuant to: E.O. 12958, Sec. 3.5 NNDB # 775072

V Suarez

SECRET

Basis of Occupation Costs

CofS
DCofS SCAP
Com
G-1
G-2
G-4
FD
GS ✓

30 July 1949

1. At a conference held by DCofS SCAP, with Com, G-4, and FD on 28 July 1949, it was determined that realistic conversion rates of yen to dollars, from 1946 to the present, should be computed as follows:

1946 - 100 to 1
1947 - 200 to 1
1948 - 300 to 1
1949 - 360 to 1

2. The annual conversion rates, above, were used in SCAP radio C-51666, dated 28 July 1949, in answer to DA radio W-91798, dated 22 July 1949. It is desired that these conversion rates be used henceforth for all purposes in computing costs of the occupation.

E.M.A.

44

SECRET

DECLASSIFIED E.O. 12958 SEC. 3(E) AND 3(B) OR (E) NNDB # 775 072

Finance

Proposed Directive to Forbid Excessive Expenditures by the Japanese Government.

Government Section ESS 16 May 1949

1 1. In the course of recent discussions with the Japanese authorities concerned with the organizational streamlining and personnel reduction program of the Japanese Government, officials of Government Section have been impressed by an evident lack of determination among responsible Japanese officials to conduct the operations of the Japanese Government strictly within the limits of the 1949-50 budget recently adopted by the National Diet. In fact, the impression reportedly exists among Cabinet members that, if it becomes necessary to incur expenditures in excess of present budgetary provisions, the necessary emergency or supplementary appropriations readily may be made. Typical of this attitude was the Cabinet's recent approval of two provisions in the draft of the law regulating the number of persons in administrative agencies which, if adopted, would have caused the budget to become unbalanced. These objectionable provisions have been withdrawn, but in view of the known attitude of responsible Japanese officials it may be expected that other proposals will be made whose effect would be to unbalance the budget.

Gov't Sect. File

2. In view of the importance of the balanced budget to the success of the 9-Point Stabilization Program, and of what is understood to be the recommendation of the Dodge Mission that there be no supplementary budgets, it is believed that emphatic action should be taken to impress upon the Japanese Government its obligation to undertake no commitments which will unsettle the financial balance. To this end Government Section recommends to the Chief, ESS the advisability of issuing a SCAP memorandum to the Japanese Government informing them that:

a. It is expected that all activities of the Japanese Government will be conducted within the limits of the budget 1949-50 as recently adopted by the National Diet.

b. No commitments will be made and no obligations incurred for any purpose in excess of funds provided in the 1949-50 budget for such purposes.

c. No actions or proposals entailing the appropriation of funds in addition to those provided in the 1949-50 budget will be undertaken or submitted to the Diet for its consideration without prior approval of SCAP.

d. Amounts appropriated in the 1949-50 budget for "termination-of-the-war" expenditures which may from time to time become excess to the accomplishment of such commitments for reasons beyond the purview of the Japanese Government at the time of the preparation of the budget, will not be transferred to other accounts without prior approval of SCAP

C.W.

43

DECLASSIFIED E.O. 12958 SEC. 3(E) AND 3(D) OR (E) NNDB # 773 072

AG 314.7(16 Nov 48)SRS

Preparation of Monograph: "Public Finance" Miss M. D. Linnel, 26-5544

SRS GS 16 November 1948.

1. Paragraph 2h of General Order No. 6, 12 April 1947 directs this Section to "prepare a historical record of the nonmilitary activities of the Occupation of Japan." Mr. C. A. Cohn is preparing a monograph on "Public Finance" which includes Imperial Household finance.

Such assistance, particularly access to essential source data on the Imperial Household supplementary to that which is being furnished by ESS, as can be given Mr. Cohn will be appreciated.

The above mentioned writer, who has been cleared for restricted, confidential, secret and top secret materials, will contact your Executive Officer on this matter in the near future.

- C. H. U. - - - - - - - - - - - - - - - - - -

42

DECLASSIFIED BY: Pub. Sec. 3(E) and 3(D) or (E) NNDG # 775 072

EXO
F

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Economic and Scientific Section
APO 500

132(5 Nov 48)ESS/ST 5 November 1948

SUBJECT: Appropriation of Funds for Scientific and Technical Activities

TO: Ministry of Commerce and Industry, Kasumigaseki Chiyoda-ku, Tokyo.

1. Reference is Ministry of Commerce and Industry letter Tokuso No. 567, dated 19 October 1948, subject: Application for an approval on disbursement of subsidies for scientific and technical researches, received through the Central Liaison and Coordination Office, Tokyo, CLCO No. 3657(1G), dated 26 October 1948.

2. No objection is offered to the disbursement of funds referred to in referenced letter.

FOR THE CHIEF, ECONOMIC AND SCIENTIFIC SECTION:

Harry C. Kelly
HARRY C. KELLY
Acting Chief
Scientific & Technical Division

Copies furnished:
CLCO (2)
GS (1)
SRS (2)
CIE (1)
8 A
ESS (25)
ESS/ST (3)

41

DECLASSIFIED E.O. 14032 SEC. 3(E) AND 3(B) OR (E) NNDG # 775 012

EXHIBIT F

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Economic and Scientific Section
APO 500

132(26 Oct 48)ESS/ST 5 November 1948

SUBJECT: Appropriation of Funds for Scientific and Technical Activities

TO: Ministry of Education, Tokyo-To, Chiyoda-Ku, Kasumigaseki

1. Reference is Ministry of Education letter dated 26 October 1948, subject: Reports of the Expense for the Utilization of the Results of Scientific Researches planned at the Secondary Deliberation, received through the Central Liaison and Coordination Office, Tokyo, CLCO Memorandum 3710(1G), dated 29 October 1948.

2. No objection is offered to the disbursement of funds referred to in paragraph 2, CLCO Memorandum No. 3710(1G).

FOR THE CHIEF, ECONOMIC AND SCIENTIFIC SECTION:

HARRY C. KELLY
Acting Chief
Scientific and Technical Division

40.

DECLASSIFIED E.O. 12958 SEC. 3(E) AND 3(D) OR (E) NNDG # 775 012

Finance
Cross to
Japan affairs

noaction
CW 1/n

MILDRED E. SCHARPF,
ARMY EXCHANGE SERVICE,
APO 331, % PM,
OKINAWA. INTER-ISLAND.
11 October, 1948.

SCAP Government Section,
Tokyo, Japan.

ATTENTION: BG COURTNEY WHITNEY.

Gentlemen:

I am enclosing a copy of a letter written to the Civil Property Custodian, FEC, GHQ, on 18 August, 1948. Also a copy written to them this date.

The enclosed correspondence is self-explanatory. The reason for my letter to you now, with enclosures of correspondence with the Civil Property Custodian, is that either they, or you, or the SCAP Legal Section seems to me to be the logical agencies to contact; and since I had not heard from the Civil Property Custodian, felt that now I should write to you.

Please do let me hear from you and advise me as to the subject matter covered in my 18 August letter.

Yours sincerely,

Mildred E. Scharpf
(Miss) MILDRED E. SCHARPF.

39

DECLASSIFIED E.O. 12958 SEC. 3(E) AND 3(D) OR (E) NNDB # 775 012

MILDRED E. SCHARPF,
ARMY EXCHANGE SERVICE,
APO 331, % PM,
OKINAWA. INTER-ISLAND.
11 October, 1948.

Civil Property Custodian,
FEC, GHQ,
Tokyo, Japan.

Gentlemen:

I am enclosing a copy of my letter to you, dated 18 August, 1948.

Though this letter was written over seven weeks ago, I have not as yet received an answer from you, nor an acknowledgment of receipt of this letter.

Were you the proper agency to have contacted on this matter?
And if not, have you sent my original letter to the agency concerned?

Please let me hear from you in regards the above.

Yours sincerely,

(Miss) MILDRED E. SCHARPF.

Copy to:

BG Courtney Whitney,
SCAP Legal Section.

DECLASSIFIED AUTH: EXEC. ORD. 12356 SEC. 3(E) AND 3(B) OR (E) NNDG # 775 072

MILDRED E. SCHARFT,
ARMY EXCHANGE SERVICE,
APO 331, % PM,
SAN FRANCISCO, CALIFORNIA.
INTER - ISLAND.
18 August, 1948.

Civil Property Custodian,
Far East Command, General Headquarters.
Tokyo, Japan.

Gentlemen:

In an effort to contact the proper governmental agency of the American Occupation Forces, I am addressing you in regards a matter which is more fully covered by the attached notes.

Briefly, it is the case of Mr. Ion Constantinescu, a Rumanian political refugee, presently residing in Switzerland. In May, 1941, Mr. Constantinescu returned to Messrs. MITSUI BUSSAN, Tokyo, 3218 tires, which he had bought from them in 1940. The value of these tires was 312,800 Swiss Francs. The YOKOHAMA SPECIE BANK, with whom both Mr. Constantinescu and Mitsui Bussan did business, did not carry out the transfer of the above stated account to the SCHWEIZERISCHE VOLKSBANK, in Bern, because the execution of the exchange contract was prohibited by authorities, presumably American. They suggested that direct negotiation with Mitsui Bussan was preferable. Mitsui Bussan was liquidated by the American Military Governer after the occupation.

On 11 January, 1947, Mr. Constantinescu cabled Mitsui Bussan's liquidator, Mr. MATSUKA, to arrange for payment of the above stated account, and to take up with the Allied Headquarters in Japan, the fact that the tires were of Japanese origin, and that the transaction in question was consummated in pre-war days. Mr. Matsuki informed Mr. Constantinescu to address Mitsui Bussan direct, as he was not concerned with them any more. That he had transmitted his cable to Mitsui Bussan. At this point, Mitsui Bussan cabled Mr. Constantinescu that they were trying to get permission of the American Occupation Authorities to remit the stated amount of the account. On 5 February and 10 March, 1947, Mr. Constantinescu cabled Mitsui Bussan, telling them of his difficult financial situation, and asking them to do all possible to expedite payment of account. Finally, on 17 March, 1947, Mitsui Bussan cabled Mr. Constantinescu that they were still trying to get permission of the Occupying Authorities to remit, but that the prospects were poor.

My interest in this case stems from the fact that my father, presently residing in Switzerland, is a friend of Mr. Constantinescu, whom he wishes to help all he can. I would appreciate very much your advising me as to the proper procedure in this case, i. e., the proper agency to contact in order to effect a transfer of this money from Mitsui Bussan to Mr. Ion Constantinescu, either through the Yokohama Specie Bank to the Schweizerische Volksbank in Bern, or the parties involved direct. Also advise as to current directives that might shed light on Yokohama Specie Bank's statement, "execution (of the transfer) prohibited by authorities," and Mitsui Bussan's "trying (to) get occupation authorities permit (permission) of remittance. However prospects poor." While these statements are no doubt true, they fall short of being satisfactory, and in order to better understand their position in the matter, and in order to be better able to understand the whole case, it is essential I know the restrictions and limitations placed on these firms.

Mr. Constantinescu is at present a political refugee, as previously stated, and living in a foreign country. This transaction was not based on a sale, but rather on a return of a purchase of Japanese merchandise, which had been bought in 1940. While the undersigned is not familiar with what steps were taken by the American Government for the deblocation of Rumanian accounts, it might be borne in mind that this was a Rumanian, and not a Japanese account.
Mitsui Bussan, is willing to settle this account in good faith, as evidenced by their exchange contract with the Yokohama Specie Bank for the remittance of the stated amount and their cable of 27 March, 1947 to Mr. Constantinescu advising him of their continueing efforts to get permission to remit.
Swiss lawyers in New York have agreed to undertake this transfer for Mr. Constantinescu, at a rather high commission, which to my way of thinking, since I have a personal interest in the case, because of my father, is not compatible with true democratic interests. I do not feel that there is any need for legal assistance, if the matter is handled through the proper American Military Government channels.

Please advise me on the above and/or indorse this letter to the proper agency, and let me hear from you on it at your earliest convenience.

Yours sincerely,

(Miss) MILDRED E. SCHAUFF.

FILE UNDER: **FINANCE**

I N D E X S H E E T

DATE: **15 Sept. 1948**

FROM: **WHITNEY**

TO: **BOARD OF AUDIT**

SUBJECT: **AUDIT OF THE RECONSTRUCTION FINANCE BANK**

DOCUMENT FILED UNDER: **MISC. MEMOS**

CLASSIFIED FILE:

58

Subject: Teikoku Bank Reorganization Mr. Bunce 26-5686

1 From: CIE Thru: GS Date: 12 Aug 48
To: ESS/FIN

CIE concurs in proposed ESS letter to the Japanese Government, Minister of Finance, subject: Teikoku Bank Reorganization.

D. R. N. Maj Jack P Napier 26-6962

2 From: Govt Sec To: ESS Date: 17 August 1948

Forwarded.

C. W.

GS

MEMORANDUM FOR THE RECORD: 17 August 1948

SUBJECT: Teikoku Bank Reorganization

Teikoku Bank Reorganization is resulting in change of Teikoku to two banks, one to be called Teikoku and one to be called Dai Ichi. Col. Kades, Maj. Rizzo recommend no comment. General Whitney says no interest.

JACK P NAPIER
Maj AGD
EXECUTIVE OFFICER

2 37

Subject: Teikoku Bank Reorganization Mr. Bunce 26-5636

1 From: CIE Thru: GS Date: 12 Aug 48
To: ESS/FIN

CIE concurs in proposed ESS letter to the Japanese Government, Minister of Finance, subject: Teikoku Bank Reorganization.

---------- D. R. N. ----------
Maj Jack P Napier 26-6962

2 From: Govt Sec To: ESS Date: 17 August 1948

Forwarded.

---------- C. W. ----------

MEMORANDUM FOR THE RECORD: 17 August 1948

SUBJECT: Teikoku Bank Reorganization

Teikoku Bank Reorganization is resulting in change of Teikoku to two banks, one to be called Teikoku and one to be called Dai Ichi. Col. Kades, Maj. Rizzo recommend no comment. General Whitney says no interest.

JACK P NAPIER
Maj AGD
EXECUTIVE OFFICER

EXTRA COPY

Finance

Teikoku Bank Reorganization — Nr. Runs 36-5636

Thru: GS — 12 Aug 48

GIH — ESS/FIN

1 GIH concurs in proposed ESS letter to the Japanese Government, Minister of Finance, subject: Teikoku Bank Reorganization.

- D. R. H. - - - - - - - -

GS Copy

536

DECLASSIFIED AND RELEASED UNDER E.O. 13526 AND 5(B) AND 3(B) OR (E) NNDB # 775012

Enclosure 1

FD 248.50

Subject: Payment of Non-Military Witnesses, Military Tribunals.

Capt.Seamands 26-6714
3 August 1948

2 From: Fiscal Director To: GS

Concur, however it is believed that the comments of ESS should be obtained in view of the potential effect upon the economy of Japan.

2 Incls
n/c

- H. S. R. - - - - - - - - - - - -

Maj Jack P Napier-26-6962
Date: 5 August 1948

3 From: Govt Sec To: Fiscal Director

Subject study may require the comment of Legal Section, to which Section the Courts and Law Division, Government Section, has been transferred.

2 Incls
n/c

- C. W. - - - - - - - - -

MEMORANDUM FOR THE RECORD: 5 August 1948

1. Reference telephone conversation with Lt. Col. Williamson, Judge Advocate Section, this date, it is believed that this subject study may require the comment of Legal Section.

2. Check sheet returned to Fiscal Director for recommended action.

JACK P. NAPIER
Maj AGD
EXECUTIVE OFFICER

GS FILE COPY

35

DECLASSIFIED E.O. 11652 SEC. 3(E) AND 5(D) OR (E) NND # 773 012

C
O
P
Y

CHECK SHEET

Lt. Col. Williamson
26-7521, Ext. 393

Subject: Payment of Non-Military Witnesses, Military Tribunals.

1 From: JA To: GS 31 July 1948
Thru: FD

1. Attention is invited to the statements contained in attached correspondence concerning the lack of authority for the payment of Japanese witnesses appearing before courts-martial and occupation courts. This fact, and the resultant financial hardship imposed upon witnesses for lack of reimbursement for lodging and subsistence, is said to exert a deleterious effect upon the administration of justice before those tribunals. The same witnesses, if appearing before Japanese courts, would apparently be entitled to certain priorities as to transportation, lodging and subsistence procurements, and to payments by the Japanese government. In war crimes cases also provision has been made for furnishing food and reimbursement of expenses to witnesses.

2. SCAPIN 1872, 31 March 1948, Subject: "Expenditures from Funds Appropriated for Occupation Force Requirements, "prohibits expenditures from funds except for the purposes stated therein, and the payment of expenses for witnesses is not included among the authorized expenditures. SCAPIN 5534-A, 24 April 1948, Subject: "Food Rations for Imai House for Japanese Witnesses," directsthe Japanese government to furnish food to certain witnesses quartered at Imai House, and recites that the instructions set out in the SCAPIN are directed in pursuance of paragraph 8, SCAPIN 1872, which provides inter alia that "Directives issued by the Supreme Commander for the Allied Powers for accomplishment of work or projects which are for the benefit of the Japanese people, or to carry out the terms of surrender, or to otherwise accomplish the purposes of the Occupation, are or will be issued in the form of memoranda to the Japanese Government (SCAPINS)."

3. Without considering any question of the legality of employing appropriated funds of the United States Government to pay non-United States Nationals appearing as witnesses before military tribunals in Japan, the administrative factors involved alone appear sufficient to dictate adoption of the solution recommended by the Commanding General, Eighth Army, viz., to require payment of such witnesses by the Japanese government.

4. In the interest of military justice and in view of the information contained in the attached correspondence from the operating organizations, I concur in the recommendations of the Commanding General, Eighth Army (par. 6 2d Ind) and am attaching for your consideration a draft of SCAPIN designed to accomplish the purposes of payment as recommended in paragraph 6a, 2d Indorsement. It is believed that the details of payment (par.6b, 2d Ind) may be satisfactorily accomplished by conference.

5. Request comment, concurrence and return.

2 Incls
1. File
2. Draft SCAPIN

----------F. P. S.----------

DECLASSIFIED E.O. 12356 SEC. 3(E) AND 3(B) OR (E) NNDG # 775 012

Released

MINISTRY OF FINANCE
THE JAPANESE GOVERNMENT

Takashi IHARA — Director, Finance Bureau.

Tadashi ISHIDA — Director, Foreign Fund Division.

Shinichi ISHINO — Chief, Planning Section, Foreign Fund Division.

Makoto WATANABE — Chief, Exchange, Section, Foreign Fund Division.

Tetsu FUJIMOTO — Chief, Exchange Control, Section, Foreign Fund Division.

SECRET

GENERAL HEADQUARTERS

~~FAR EAST COMMAND~~

SUPREME COMMANDER FOR THE ALLIED POWERS

CHECK SHEET

(Do not remove from attached sheets)

File No: Subject: Special Repatriation Loans Mr. Markuson 26-8425

Note No.

From: PH&W To: ESS GS Date: 15 July 1948

2.

1. In reference to Check Note #1 issued by G-2 to ESS and Government Section titled "Special Repatriation Loans" the following information is offered.

2. Conference with Mr. G.P. Waller and Mr. J.R. Mossler, ESS/Fi, concerning the report by G-2 indicates that the loans in question are not those generally referred to as "Business Fund Loans" authorized by the Repatriates Relief Agency, Ministry of Welfare, but are a different type of loan made through the Peoples Bank and the Economic Stabilization Board, and that the Ministry of Welfare is in no way connected with the loans in question.

3. Mr. Mossler stated that he had clarified the situation with G-2 and that ESS was in the process of evaluating the loans in question.

4. "Business Fund Loans" authorized by the Repatriates Relief Agency, Ministry of Welfare, are now being evaluated by ESS at the request of PH&W and certain recommendations have been made which will tend to strengthen that program.

1 Incl.
n/c

C.F.S.

C.F.S. ----------

SECRET

FEC AGO Form No 37 33

1092—FEC Printing Plant—4/48—50M

SECRET

17465

GENERAL HEADQUARTERS
FAR EAST COMMAND

CHECK SHEET

(Do not remove from attached sheets)

File No: Subject: Special Repatriation Loans

Note No.	From: G-2	To: ESS Govt Section ✓	Date: 28 June 1948 CIS/CD/2A:GFW/fks
1	1. Forwarded herewith for your information is a Summary of Information on Subject. 2. It is requested that G-2 be advised of any action taken on this matter. 1 Incl: S/I, subject as above, dated 25 June 1948 J. Foster C.A.W.		

AGO Form No. 37

5177-64 ENGR-3-27-47-100,000

SECRET

SECRET

APO 500
25 June 1948

CIS/CD/GWF

SUBJECT: Special Repatriation Loans

SUMMARY OF INFORMATION

1. The following information has been received from a source considered reliable:

a. The Japanese Welfare Ministry decided to effectivate a program of "Special Loans to Overseas Repatriates Enterprises", despite the failure to receive GHQ approval because loans are restricted to overseas repatriates. The loans are processed by regional offices of the Economic Stabilization Board. At a meeting held in the Osaka regional headquarters late in February 1948, and attended by representatives of the central and prefectural governments, one representative asked why all papers concerning the plan were marked "Secret"; and was told that the central government did not desire the plan to be publicized because it had not been approved by GHQ. Because of this statement the local Welfare Section made no report to the Military Government Team.

b. The plan provides for loans only to repatriates engaging, or desiring to engage in various enterprises. Applications are submitted to regional offices of the Economic Stabilization Board via prefectural governors. If approved, applications are submitted to the Bank of Japan which must also approve the loans. Payments are effected through the Rehabilitation Accommodation Treasury, a semi-governmental organ. As of March 1948 the government had allotted ¥100,000,000 for this loan project. In Fukui-ken ten (10) companies received loans amounting to ¥3,000,000. For the new fiscal year the government has allotted ¥400,000,000. In Fukui-ken, twenty-seven (27) applications have been forwarded to the Economic Stabilization Board for loans during the new fiscal year.

c. The Fukui Prefectural Committee of the Japanese Communist Party delegated USUI, Kyoso to apply for a loan under the new government subsidy plan in order to obtain funds for the Party. As party leaders feared refusal because of USUI's leftist affiliations, they appealed to the prefectural branch of the Repatriates Mutual Aid Society for support. Although some leaders of this Society were willing to aid USUI, the committee of the Society refused to grant the support; consequently the Communists abandoned the plan.

d. Recently, however, KASHI, Shigeru, a member of the Communist Party, stated that he was to receive ¥500,000 through a repatriate project. It is possible that KASHI is attempting the same plan. KASHI further stated that the money was to be used to cover the expenses of the formation of the HOKURIKU Labor Society.

SECRET

SECRET

ESS
GS

15 July 1948

2. 1. In reference to Check Note #1 issued by G-2 to ESS and Government Section titled "Special Repatriation Loans" the following information is offered.

2. Conference with Mr. G.P. Waller and Mr. J.R. Mossler, ESS/FI, concerning the report by G-2 indicates that the loans in question are not those generally referred to as "Business Fund Loans" authorized by the Repatriates Relief Agency, Ministry of Welfare, but are a different type of loan made through the Peoples Bank and the Economic Stabilization Board, and that the Ministry of Welfare is in no way connected with the loans in question.

3. Mr. Mossler stated that he had clarified the situation with G-2 and that ESS was in the process of evaluating the loans in question.

4. "Business Fund Loans" authorized by the Repatriates Relief Agency, Ministry of Welfare, are now being evaluated by ESS at the request of PHW and certain recommendations have been made which will tend to strengthen that program.

1 Incl.
n/c

- G.F.S. - - - - - - - - - - - - - -

SECRET

Finance

CM/CLX/sh

Resignations of Members of Local Finance Comm.

Govt. Section ESS 8 June 1948

1 Forwarded as a matter of primary interest to your Section are the enclosed copies of resignations of the majority of the members of the Local Finance Committee. Dr. Kanabe is the President of the Congress of Mayors, Professor of Finance at Kyoto University and the author of the outstanding books and articles on finance and taxation in Japan.

3 Incls.
Resignations of Seiichi Yasui,
Wahei Ikuta and Masao Kanbe

C. W.

Govt. Section file

32

CS/CLK/sk

Resignations of Members of Local Finance Comm.

Govt. Section ESS 8 June 1948

1 Forwarded as a matter of primary interest to your Section are the enclosed copies of resignations of the majority of the members of the Local Finance Committee. Dr. Kaneko is the President of the Congress of Mayors, Professor of Finance at Kyoto University and the author of the outstanding books and articles on finance and taxation in Japan.

3 Incls.
Resignations of Seiichi Yasui,
Wahei Izuta and Mamo Kanbe

C. W.

Mr. Nolan, Local Govt. Div.

GS/CLK/mh

Resignations of Members of Local Finance Comm.

Govt. Section ESS 8 June 1948

1 Forwarded as a matter of primary interest to your Section are the enclosed copies of resignations of the majority of the members of the Local Finance Committee. Dr. Hanabe is the President of the Congress of Mayors, Professor of Finance at Kyoto University and the author of the outstanding books and articles on finance and taxation in Japan.

3 Incls.
Resignations of Seiichi Yasui,
Wahei Ikuta and Masao Hanbe

C. W.

Mr. Nolan, Local Govt. Div.

Nolan

The attached statement of resignation was written by Dr. Masao Kambe, Ph.D., LL.D, former member of the Local Finance Committee. Dr. Kambe is 72 years of age and is known as the foremost scholar of finance and taxation in Japan. He is a graduate of Tokyo Imperial University. He was professor of finance at Kyoto University. He is the author of two recognized books on finance and taxation in Japan. His ideas have been referred to in Japan as the "Dr. Kambe school or theory of finance." He is Mayor of Kyoto and President of the Congress of Mayors, being made a member of the Local Finance Committee by virtue of this latter position.

His resignation is further evidence of the frustration with which sound thinking Japanese are confronted. In his resignation he purposely omitted mentioning the Cabinet in order to avoid creating a political issue which might be used by certain groups who are looking for an issue.

The Local Finance Committee was created by the Diet last December to come up with a solution to the local finance problem. It is to be regretted that efforts of men of this caliber have been frustrated.

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Government Section
Local Government Division

5 June 1948

MEMORANDUM TO: Col. Kaddes

SUBJECT: Reasons for failure of Local Finance Committee to obtain objectives and resultant resignation of Dr. Kambe.

1. On June 5, 1948 Mr. Masoro Nomizu, Minister and Chairman of Local Finance Committee, called to pay his respects to Gen. Whitney, Col. Kaddes and Col. Tilton and to report results of Local Finance Committee efforts.

2. He stated that the reasons why the Committee failed to get approval of its recommendations are as follows:

a. The work was started in March and as the National budget was in final stages of preparation no great change could be made.

b. The uncompromising attitude of the Minister of Finance on giving up national authority over the local finance.

c. The support given the Minister of Finance in his position by the Finance Section of the GHQ, SCAP.

3. He stated it was his opinion that it was unfortunate that the Ministry of Finance was in a position to override other Ministries in the Cabinet and that they should be dissolved and put under the Prime Minister.

4. He recommended that in view of the fact that the Local Finance Committee expires in January, that some thought be given to the creation of a permanent agency of a Central level to carry on the representation of local governments against the central government.

M. E. NOLAN

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Government Section
Local Government Division

7 June 1948

MEMORANDUM TO: Col. Kades

SUBJECT : Resignation of Governor Yasui and Mr. Ikuta.

1. Gov. Seiichi Yasui and Mr. Ikuta called at 11:30 June 5 to see Col. Tilton and yourself and to advise of their resignations. Gov. Yasui handed in a copy of resignation to the Prime Minister, which is attached. Mr. Ikuta was going to draw his up in the afternoon.

2. The reasons for their failure to accomplish objectives were stated jointly as follows:

a. Psychological reason - the bureaucrats are disinclined to recognize the value of local autonomy. They will not recognize need for decentralization of power. They persist in retaining the old powers in spite of the Constitution.

b. As long as the bureaucrats have the present attitude the establishment of local autonomy is absolutely impossible. The existence of the Local Finance Committee is without meaning whatsoever. They desire to stress this point strongly.

c. ESS/Fi is in accord with the Finance Minister on this program.

3. The following are additional statements made jointly by them:

There is a more pressing problem than the continuation of the Local Finance Committee. If the present problem was solved the permanent organization could wait. The main point is that the present problem ought to be solved or settled.

The Government's attitude is not acceptable to local governments. The question is one of principle - the Government refuses to acknowledge the true spirit of Local Autonomy. They have ignored the Local Finance Committee altogether. This government policy prevents the establishment of local autonomy.

Contrary to the wishes of the Committee the Government increased taxes on land, house and inhabitants. Inhabitants' tax increased ten times (Y100 to Y1000). Land tax was Y24 per hundred, increased to Y200 per hundred. Farm land increased from Y70 per fixed value to Y200. Household tax increased from Y24 to Y250 per hundred.

Such heavy taxes will be uncollectible; on the other hand, they refused to allow a consumption tax which could be collected.

The cost of maintaining the police under the new Law to local governments will be 1 billion 1000 million yen. This is impossible to do.

The education expense in the 6-3-3 system to local governments is Y5 billion 700 million, then there are other items like disaster and health programs.

The government proposes that local governments issue Y26 billion in loans to meet their needs. Last year they issued Y11 billion, which was too much. The interest rate is 7%. This is only good for the banks. Last year the local loans created havoc with local governments; this year it is impossible.

In conclusion, the consumption tax of 20% should be allowed, local taxes not increased to present proposed levels and the amount of loans reduced not increased.

M. E. NOLAN

4 June 1948

MEMORANDUM TO: Col. Kades

SUBJECT: Confidential

I met with Mr. Ikuta, member of the Local Finance Committee at noon. He advised that yesterday Gov. Yasue, Dr. Kambe, Mr. Ikita (Diet Member) and himself met with Mr. Nishio, Vice Minister, and Mr. Tomabatu, Minister of State and discussed the reasons for Dr. Kambe's resignation. The Ministers named said they would advise the Cabinet to go along on the Business Tax on farmers, also the 20% consumption tax, now that they understood the program for the first time.

Gov. Yasue and Mr. Ikuta do not feel these Ministers have enough weight to accomplish this objective.

They are fearful that Mr. Yoshida will sieze upon this tax issue in order to bring about the fall of the present Cabinet. They are very fearful that it might happen. Apparently the Diet members will go for the revision program as they realize you cannot transfer responsibility to local governments without making financial provisions to carry out the new program.

M. E. NOLAN

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Government Section
Local Government Division

7 June 1948

MEMORANDUM FOR: Col. Kades

SUBJECT : Impending crisis in Local Government finance.

1. Attached hereto are the following:

a. Resignation of Seiichi YASUI, Masao KAMBE, and Wakei IKUTA, members of the Local Finance Committee.

b. Statement taken from Mr. Masoro NOMIZU, Minister member of the Committee, stating the reasons for their failure to obtain objectives.

c. Statement taken from Gov. YASUI and Mr. IKUTA, concerning the reasons for their resignation.

d. Confidential memo of June 4, pointing out that this tax issue might possibly result in the fall of the Cabinet.

e. Proposed tax plan of Local Finance Committee with portions objected to by Finance Ministry underlined in red.

2. Since writing the above I am informed that it was reported in the press that 9 members of Mr. Ashida's party have resigned because of dissatisfaction over the position of their party, one element of dissatisfaction being their failure to decentralize the tax structure.

3. Briefly, the reason for the Committee's failure as stated by Minister NOMIZU, Gov. YASUI and Mr. IKUTA is

a. The anti-local government attitude of the bureaucrats in the Finance Ministry.

b. Refusal on the part of the Cabinet to give up any of their old powers, in spite of the clear mandate in the Constitution providing for local autonomy.

c. The support given the position of the government and the Finance Minister by ESS/Fi, GHQ, SCAP.

4. If the government's program wins out, only the admission taxes, which will net about Y11 billion will be transferred to local government. Authority to place

a 20% consumption tax on monopolies will be denied. This would have produced an additional Y24 billion. Local land, house and inhabitants tax will be increased 100% to 200%. Local governments will be required to float Y26 billion in loans at 7% interest. Last year they floated a Y11 billion loan which was bad in itself.

5. In order to carry out the mandate of the Police Law the local governments will require 1 billion 1000 million yen. The additional expense of the 6-3-3 education plan will cost an additional Y5 billion 700 million; other items, like disaster and health programs, will require additional amounts.

6. It is quite obvious that if the government's position is not reversed, that there will be a complete financial breakdown as far as local governments are concerned.

RECOMMENDATION. It is my recommendation that Government Section make a last ditch fight to have the program of the Local Finance Committee adopted by the government. Not to do so means that the success of the Police Law, Fire Law, and education and health programs, will be jeopardized and the resultant unsound financial condition will reflect adversely on these otherwise good objectives.

M. E. NOLAN

Incl:
5 as listed in Para. 1.

Parts underlined in red Nelson
refused by Cabinet.

LOCAL FINANCE COMMITTEE

6 March, 1948

SUBJECT: Essential Draft for Reformation of Local Tax and Finance System

TO :

In order to establish the independence of finance and tax system to meet the establishment of local autonomy by overcoming the recent critical situation of local finance, the reorganization of the whole of the existing local finance and tax system shall be carried out in accordance with the followings:

I. Aim:

1. In accordance with the establishment of local autonomy the independence of local finance shall be thoroughly established.

2. The local finance and tax system that should meet the present economic situation shall be established.

II. Policy:

1. The independence of local finance from the national, and local tax system from the national should be established.

2. Local financial resources shall be expanded in order to meet the increased financial demand.

3. The allotment of financial resources among local bodies shall property be arranged accommodating the revision of the police and the education system.

4. The flexibillity of local tax system shall be largely expanded.

5. Expansion of such kinds of taxes as would instantly proceed in concert with the progressing inflation and increase the revenue shall be arranged.

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6. The measures for preventing the local finance from being impovorished due to disaster shall be taken.

7. Smooth local bodies' banking shall be arranged.

8. The national supervision over the local tax and finance shall be reduced.

III. Essentials:

1. Affairs concerning expenses:

1) Revision of defrayments of allotment of the national and the local expenses, shall be

A. Concerning the expenses necessary for the business under the jurisdiction of local bodies, the following principles shall be made clear in order to clarify the division of burden between national and local according to whiches business is of local or national character.

a. Expenses for purely national business shall be defrayed with the total amount by the state.

b. Expenses of a local business cherecter shall be defrayed with the total amount by the local bodies and the funds necessary for such business shall be given.

c. For the combined business both of a national and local character, the expendes shall be defrayed at the sum of 50-50 matching by the state and the local bodies.

B. In accordance with the precedings, it shall be disposed as follows:

a. Expenses for the officials in each prefecture shall be defrayed in classifications:

a) Expenses of the prefectural officials who perform purely national business shall be defrayed by the sate as a whole.

b) Expenses of the prefectural officials who perform national government business of a local character expended by the local expenses, shall be in the new system established at ½ sum of defrayment by the state.

c) For other prefectural officials the expenses shall, as a whole, be defrayed by the local bodies.

b. The system of the disbursement of a joint responsibility shall entirely be abolished and the whole expenses necessary for the police of the autonomous bodies shall be expended by cities, towns, and villages provided that the total amount of the expenses for the various kinds of construction and equipment necessary for the enforcement of the newly established police system shall, as a whole, be defrayed by the state.

c. Expenses for the fire defence facilities shall fully be defrayed by the local bodies.

d. With regard to the total sum of the expenses for the newly established education system for construction works and equipment shall be defrayed by the state.

e. The Hokkaido development expenses shall directly be defrayed by the state.

f. Other being granted at present shall be arranged according to the above principles.

C. To secure these principles, the following dispositions shall be necessary:

a. State defrayment rates shall, as a rule, be prescribed by each law concerned shall be prescribed by the Local Finance Law (Provisional name)

b. Making out of laws or regulations concerning the transference of national business accompanied by defrayment of

local expenses to the local bodies and the national budgets, and defrayment of national debts, or expending of reserve funds shall need prevsious acknowledgement by the Local Finance Committee.

c. The period of cash granting of constant burdens by the national treasury and the national subsidies shall clearly be prescribed by laws and regulations, and others shall be operated carefully.

2) In compliance with the central government directives, the simplification of the administrative structures and the rationalization of the staff distribution, and cutting down of expenses by fixing the local special boards or offices shall be attempted. Unification of the administrctive areas shall be done in order to strengthed up local finance and cut down expenses as well.

3) Local Disaster Rehabilitation Funds:

The local disaster rehabilitation funds, for the purpose of enabling local bodies to promptly and efficiently carry out their disaster rehabilitation works and relief undertakings, and preventing their finance from impovershing due to cululatively rising disasters as well, are at funishing with necessary fund disaster rehabilitation works and relief undertakings to be run by local bodies.

A. Structure:

a. The Local Disaster Rehabilitation Fund shall be incorporated.

b. The Local Disaster Rehabilitation Fund Committee which consists of representatives of local bodies and learned

and experished persons, besides the necessary rersonnel, shall handle important matters.

B. Operation:

The Local Disaster Rehabilitation Fund shall furnish with funds only rehabilitation works and relief undertakings to be needed for the local bodies afflicted by disasters.

b . Defrayment amount to be defrayed by the Local Disaster Rehabilitation Funds shall be decided by the L D R Committee.

c. The local bodies furnished with rehabilitation funds out of the L D R F shall return the settle amount to the fund within a period of twenty (20) years.

d. The settle amount of the preceding clause, after consideration of the degree of disaster or others within one-third to one-tenth of the appropriated amount, shall be the balance between the amount determined by the D L D R F Committee and that paied into the fund by the said bodies at the time when it was appropriated.

C. Endowment:

a. Endowment of this fund shall annually be layed by the national treasury and the local bodies.

b . Obtain an average amount of expenditure of the past disaster rehabilitation expense from the national treasury and the local finance and get a ratio with the national and the local taxes, and make defrayment annually according to the same ratio.

D. Others:

a. The relief funds by the relief law shall be united into this fund.

b . In case funds are short, it may issue bonds and, in case somethings left may make loan to the local bodies or the national treasury.

2. Matters Pertaining to the Local Tax Law:

The whole taxt of the Local Tax Law shall be amended as follows:

1) The following taxes ~~xx~~ shall be transfered from the national tax to the local tax.

A. Admission Tax:

a. The admission tax shall be lovied at districts and prefectures and the surtax at cities, towns and villages.

b. The assessment rate, including both the original and the surtax, shall be similar to the present national tax (150/100 of the admission fee)

B. The Hunting Permission Tax:

The present national hunting license tax shall be abolished and united into the present local independent hunting tax.

2) The following taxes shall newly established:

A. Tobacco and liquor comsumption tax

a. This tax shall be taxed on liquor and tobacco consumers.

b. The original tax of the liquor and tobacco consumption tax shall be taxed at prefectures and the surtax at cities, towns and villages.

c. Assessment shall including both the original and surtax be appwoximately 20/100 of retail prices.

B. The enterprise tax:

The original industry iberal occupations or the business which are the objects of the existing business tax shall be taxed.

b. The principal tax of this tax shall be taxed at prefecture, and the surtaxes at cities, towns and villages.

c. The assessment, including both the principal and surtax, be 15/100 of the net profit (10/100 on the original industry and liberal occupation)

C. The Mine product Tax:

a. The Mine product Tax shall be levied according to the mine products value.

b. This tax shall be levied as the principal tax at district and prefectures and as the surtax at cities, towns and villages.

c. The assessment rate of the tax, including both the principal and the surtax, shall be approximately 1/100 of the mine products value.

d. If the enterprise is levied on the mine industry this tax shall not be levied on the same.

D. The Electricity and Gas Tax:

a. The Electricity and Gas Tax shall be levied on the electricity and Gas.

b. This tax shall be levied as the principal tax at districts and prefectures and as the surtax at cities, towns and villages.

c. The assessment rate, including both the principal and the surtax, shall be approximately 20/100 of the Electricity and Gas charges.

E. The Lumber Receiving Tax:

a. The Lumber Receiving Tax shall be levied on the receiving of the non-processed lumbers etc.

b . This tax shall be levied as the principal tax at districts and prefectures and as the surtax at cities, towns and villages.

c. The assessment rate including both the principal and the surtax, shall be approximately 10/100 of the non-precessed lumber values.

F. The Domestic Employee Tax:

The Domestic Employee Tax Shall be levied on the employees of the Domestic Employee as the city, town or village inhabitant tax.

3) The following revisions shall be applied on some taxes:

A. The standard assessment rate of the Land Tax and the House Tax, including both the principal and the surtax, shall be raised to approx. 80/100 (the existing rate of the residential land is 24/100, of others 72/100, of the house tax 42/100.

B. The Inhabitant Tax:

a. The Inhabitant tax shall be made a flexiable kind of tax, and maximum average assessment limit per tax subject shall be abolished establishing the standard assessment system.

b. The standard of the average tawable amount per tax subject, including both the principal and the surtax shall be 600 yen (400 yen at present). The condition of income of the tax subject shall be respected on determing the assessment of the Inhabitant Tax.

c. The date of imposition shall be changed to 1 June (1 October at present)

C. The Mine Lot Tax:

The mine lot tax assessment rate shall be approx, 5-folded.

D. Real Estate Acquisition Tax:

a. Limited assessment rate of approx. 15/100 (1/100 by the existing code) of the acquisition value shall be prescri-

bed by law.

E. The bicycle and cart tax:

The bicycle and cart tax may be levied on the acquistion of the bicycle and cart.

4) The entire abolishment of the permission of authority.

A. As to the Inhabitant, the Enterprise and the Land tax, the prescription of the standard assessment rate alone may be made.

B. As to the non-prescribed independent taxes, the prohibitions alone shall be prescribed and may freely be imposed in a limit that would not conflict with the same by the local bodies.

C. In case an local body desires to establish or revise the super-standard rate tax or, adapt the outward form assessment of the enterprise tax, it will report to the price minister immediately after the dicision of the ordinance. The prime minister, if he has an objection to it, may demand within a month after the receiving the report a consideration to the Local Tax Council. Any minister, if he has anobjection to the matter mentioned in paragraph I, may demand the consideration of the preceding clause to the prime minister, who will demand it putting his opinion to the council.

D. The Local Tax Council shall be constituted with the committees recommended at the Diet. The council is authorized to establish or revise the super-standard-rate tax or the non-prescribed independent tax and withdraw or amend the ordinance prescribing the imposition of the enterprise tax according to the outward form standard.

5) Strengthening of punishment etc.

A. Jail sentence or fines shall be imposed on the tax dodgers and those who are in violation of the tax obligations such as the special collection, the return or others.

B. The rate of the arrears shall be raised in correspond to the assessment.

C. The priority of the local tax shall be similar to that of the national tax.

D. The punishment on the tax collecter's secret leakings shall be prescribed by law.

Note:

A. As to the raisen of the actual price of the liquor and the tobacco owning to the establishment of the liquor and tobacco consumtion tax, the changings shall be applied to the amount of the liquor tax and the tobacco monopoly price to meet the necessity.

B. As to the establishment of the mine product tax, the changings of the mine products price shall be considered.

C. As to the raise of the land tax and the house tax, the adjustment shall be made by changing the land rent and house rent.

Matters partaining to the Distribution Tax Law:

According to the followings the Local Apportionment Tax Law shall be abolished and the Distribution Tax Law established instead.

1. The following revision shall be made on the whole distribution tax law.

A. The Apportionment Tax shall be renovated to the Distribution Tax.

B. The Admission Tax, as the Local Independent Tax, shall be excluded from the sources of the Distribution Tax.

C. The allotment of proportion for the districts and prefectures, and cities, towns and villages shall be arranged.

D. The special apportionment tax system for the war damaged local bodies which has been settled on the standard of the decreased tax revenue of them by war disaster shall be abolished.

2. To make the following amendments or alterations to the prefectural Distribution Taxes.

A. The following amendments shall be added to the method of calculation of the distribution which is distribution counter proportionately to the ability for imposition of tax.

(1) The sbility to impose tax among the public bodies shall be compared in accordance with the tax amount per head increase of 800,000 (the amount per head of the actual population) which was added to the actual population.

(2) To deduct from the tax imposition power a certain portion of the amount to be born for war damages recovery expenses.

B. The following amendments shall be added to the method of calculating the distribution amount to be distrubuted in proportion to financial requirement.

The amount to be distributed in proportion to the population shall be divided evenly to the to increased population after adding 800,000 to the actual population (increased population after added 1,500,000 to the total of three times the amount of the actual population of large cities, twice the amount of cities and the amount of town or village)

3. The following amendments shall be made to the city, town or village distribution tax.

A. The city town or village distributing tax shall be divided into prb

A. The city town or village distributing tax shall be divied into urban town or village (town or villages wherein local autonomous police are established) distribution taxes, and rural town or village distribution taxes.

B. Following amendment shall be added to the method of calculating distribution amount to be distributed in counter proportion to the power of imposition of tax.

(1) The imposition power of tax among the public bodies shall be compared by the tax amount per head (amount tax per head actual population) of the increased population obtained by adding to the actual population a fixed number, (large cities 600,000, cities, town or village.--------- urban town or village 6,000, rural town or village 2,000) and cartain multiplier to the number of autonomous police officials)

(2) . To deduct from the imposition power a certain fixed part of war damages recovery expenses loan.

C. The following amendment shall be made to method of calculating the amount to be distributed in direct proportion to the final demand.

(1) In the allocation, directly proportionate to the population among sach block of large cities, urban town or village and rural town or village, it will be evenly divided to the increased population by adding a fixed number of multiplier of autonomous police officials (increased population, in the case of large cities three time, in the case of cities twice and in case of towns or villages once)

(2) In the calculation of distribution amount according to population proposition among public bodies within each block)

c it will be evenly allocated to the increased, population by adding a fixed number and a fixed number of multiplier of autonomous police officials to the actual population (fixed number where only a fixed number is added to the actual population)

(3) To establish a distribution amount which has as its standard the number of popils which fall under the new compulsory educational system and number of classes which falls under compolsory education.

Note:

IV. Figures in the Distribution Tax and Distribution standards will be further subject to certain changes.

Natters related to Local Bonds and Banking for Local Autonomous bodies.

1. To limit the purpose of local bond issur to so called industrial enterprise public bonds and those to meet large expenses of a temporary nature. Financial sources required for other purpose shall be given as general local financial source and every effort will be made to restrict the issue of bonds which will create dificits.

2. Local Body Central Depository.

In order to solve the monetary difficulties of local public bodies, and to enable them establish their own monetary system and to secure the smooth operation of accounting a Local Body Central Depository (provisional name) shall be established according to the following.

A. Formation

(1) Local Bodies Central Depository shall be a legal person.

(2) Aport from a fixed number of officers, a Local Bodies Monetary Committee consisting of representatives of local public bodies and person with knowledge and experience shall be established.

The Local Bodies Monetary Committee shall perform such functions as approval of functional plan of the Local Bodies Central Depository, and approval of Local Monetary Bonds.

B. Functions

(1) Acceptance of deposits of local public bodies, various bodies related to local autonomy and general monetary agencies.

(2) Advancing of funds to local public bodies.

(3) Taking over or guarantee of liabilities of local public bodies.

(4) Functions which are incidental to the gunctions enumerated in sach of the above.

C. Capital funds.

(1) Capital shall 20 billion to be equally invested by the national government and local public bodies.

(2) Local public bodies investment shall be borne by the prefectures, cities and town and villages and one fifth shall be invested respectively at the time of first establishment.

D. Colledtion of operation funds.

(1) Local Bodies Central Depository shall be authouized to issue Local Monetary Bonds.

(2) To cause the deposit of a certain proportion of the

funds obtained annually from the Deposit Bureau of the Ministry of Finance.

3. To sholish the system of payment to the national treasury of local treasury lottery (Takarakuji)

V. Other matters.

1. To effect the rationalization of the system of payment to the national treasury by public Electric Distribution Company.

2. To raise the grants of nationally owned forests and fields.

3. To deem the operators of Local Horse Paces as legal persons and make the profits in to financial sources of local public bodies.

4. To establish clearly the basic policy of the operation of local finance establish a Local Finance Law.

Finance C

091(21 May 48)ESS/FEE Okinawa Prefectural Government in Japan

ESS 21 May 1948

GS
Thru: Korean-Ryukyuan Div.

1 1. Budgetary estimates, fiscal year 1948-49, now being considered by the Finance Division, include ¥ 4,817,000 for subsidising the Okinawa Prefectural Government in Japan. Provisional budgets for the months of April and May containing appropriations of ¥ 752,000 for the operation of the Okinawa Prefectural Government in Japan, were approved by the Diet. Further appropriations for this purpose have been deleted from the provisional June budget now before the Diet and will be deleted from the fiscal year 1948-49 budget now under consideration.

2. Comments and concurrences requested.

GS FILES

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1. ✓ Finance

GOVT SEC

WFM/WKL/RSR/ECH/mm

2 From: ESS To: GS Date: 22 April 1948

ESS concurs with the proposed third indorsement prepared by CIAE. It is suggested, however, that it might be well to indicate that expenditures for social education must be made for activities directly related to public purposes as opposed to activities which may be socially desirable but not of the nature of public responsibility.

WFM

3 From: GS To: CIAE Date: 19 May 48
Thru: ESS

1. Government Section concurs with the proposed 3rd Ind. prepared by CIAE. It is suggested, however, that it might be advisable to cite the specific article of the Constitution which forbids the expenditure or appropriation of public funds or other property for the use, benefit or maintenance of enterprises not under control of public authority.

2. Recommend therefore the addition of the following as Paragraph 5 of the proposed 3rd Ind.:

Your attention is directed to the fact that the Constitution of Japan itself controls such expenditures. Article 89 of the Constitution is as follows: "No public money or other property shall be expended or appropriated for the use, benefit or maintenance of any religious institution or association, or for any charitable, educational or benevolent enterprises not under the control of public authority."

2 Encls: n/c

30

C. W.

Finance

CI CI

SUPREME COMMANDER FOR THE ALLIED POWERS

DRH/MEO/JCZ/cmt

AG 121 Government Subsidy of Social Education Projects

CIE GS 19 April 1948

Thru: ESS

1 1. Inclosure 1 is copy of letter from Kyoto MG Team, APO 317, subject: "Government Subsidy of Social Education Projects," dated 28 February 1948, with two Indorsements, requesting policy statement regarding expenditure of public funds for social education projects. This letter has been referred to CIE for action.

2. Inclosure 2 is draft of proposed 3rd Indorsement prepared by this Section. Concurrence and/or comments are requested.

2 Incls
1. Copy of basic ltr with 2 indorsements
2. Draft reply

- D.R.H. - - - - - - - - - - - -

COPY FOR GOVERNMENT SECTION

29

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COPY

48/GIR/AR/2

HYOGO MILITARY GOVERNMENT TEAM
APO 317

CJP/ml

28 February 1948

SUBJECT: Government Subsidy of Social Education Projects

TO: Commanding General, I Corps, APO 301,
ATTN: Commanding Officer, Kinki Mil Govt Region, APO 301

1. In Hyogo Prefecture, federation offices of both the women's associations (fujinkai) and the youth groups (seinendan) have been maintained up to this time in the social education section of the prefectural government. Furthermore, government funds have been set aside for social-education activities among women's and youth groups. Such funds are used for printing expenses for dissemination of information materials, and expenses for local conferences, public forums and other types of public meetings.

2. Following a policy of dissociation of such private groups from government agencies, federation offices have been removed from the social education sections of both Kobe City and the prefectural government, upon recommendation of this headquarters. Printing expenses have also been cut down, by the method of selling information materials to the individuals and groups concerned at cost price. However, the budget for the fiscal year 1948 still contains appropriations for social education activities among the above mentioned groups, although these appropriations have been considerably reduced, as recommended by this headquarters.

3. Therefore, this headquarters requests a clarification of policy concerning government subsidy of social education projects, particularly as affecting women's associations and youth groups.

/s/ RUSSELL G. REHKOP
RUSSELL G. REHKOP
Lt Col GAC
Commanding

Encl 1

C O P Y

BASIC: Ltr, Hq Hyogo Mil Govt Team, subj: "Government Subsidy of Social Education Projects," dtd 26 February 1948

AG 080 - BA 1st Ind

Hq I Corps, APO 301, Mar 9, 1948

TO: CG, Eighth Army, APO 343
ATTN: CIAE Div, Mil Govt Sect

Request statement of policy both through Japanese and military government channels regarding legality or wisdom of support of private social education projects and groups by public funds.

FOR THE COMMANDING GENERAL:

/s/ WILLIAM A. FRANKS
Capt, AGD
Ass't Adjutant General

AG 091 (JAPAN)(MG-CE) 2nd Ind

Headquarters Eighth Army, APO 343, 31 Mar 1948

TO: Supreme Commander for the Allied Powers, APO 500
(ATTN: C I & E Section)

It is requested that this headquarters be furnished a statement of policy regarding the expenditure of public funds in support of social education projects and of organizations such as women's associations and youth groups.

FOR THE COMMANDING GENERAL:

/s/ R. SCHAFER
R. SCHAFER
Lt Col, AGD
Asst Adj Gen

C O P Y

BASIC: Ltr, Hq Hyogo Mil Govt Team, subj: "Government Subsidy of Social Education Projects," dtd 28 February 1948

AG 080 - BA 1st Ind

Hq I Corps, APO 301, Mar 9, 1948

TO: CG, Eighth Army, APO 343
ATTN: CIAE Div, Mil Govt Sect

Request statement of policy both through Japanese and military government channels regarding legality or wisdom of support of private social education projects and groups by public funds.

FOR THE COMMANDING GENERAL:

/s/ WILLIAM A. FRANKS
Capt, AGD
Ass't Adjutant General

AG 091 (JAPAN)(MG-CE) 2nd Ind

Headquarters Eighth Army, APO 343, 31 Mar 1948

TO: Supreme Commander for the Allied Powers, APO 500
(ATTN: C I & E Section)

It is requested that this headquarters be furnished a statement of policy regarding the expenditure of public funds in support of social education projects and of organizations such as women's associations and youth groups.

FOR THE COMMANDING GENERAL:

/s/ R. SCHAFER
R. SCHAFER
Lt Col, AGD
Asst Adj Gen

BASIC: Ltr, Hq Hyogo MG Team, subj: "Government Subsidy of Social Education Projects," dtd 28 February 1948

AG 121 ( )CIE 3rd Ind

GENERAL HEADQUARTERS, SUPREME COMMANDER FOR THE ALLIED POWERS, APO 500.

TO: Commanding General, Eighth Army, APO 343

1. Social education activities, including the printing and dissemination of information materials, expenses for conferences, public forums and other types of public meetings are considered to be legitimate functions of appropriate governmental agencies. Such activities must, however, be restricted to projects whose purpose it is to furnish needed information to all interested organizations or institutions.

2. Governmental subsidy of a specific private organization is unauthorized, and governmental control in any form over specific organizations, such as youth, men's, or residential organizations of any type is unauthorized. Such associations must function autonomously within the law without government interference, and should be physically separated from governmental offices. Matters of policy, personnel, leadership, program and machinery of organization should be autonomous in such associations and be completely divorced from governmental interference, control or domination, either direct or indirect.

3. For example, it would be illegal for a prefectural education office to furnish funds to print YMCA materials or materials for a particular women's association. It would be legal for such an office to expend public funds to print material discussing and offering suggestions as to how any individual in an autonomous association or group might conduct a meeting according to parliamentary procedures, and to make such materials available to those who wish to obtain them. It would be illegal for such an office to furnish funds for a meeting of a residential women's organization or of Boy Scouts. It would be legal for funds to be expended for government sponsored invitational meeting with voluntary participation by representatives of various organizations, educational groups, etc. to consider mutual problems.

4. It would be illegal for such an office to sponsor the federation of organizations at any level. It would be legal to make available to all groups information on the basic purposes behind democratic federations.

5. It would be illegal for any employee of a government office to use office time for carrying on the activities of any specific organization, or to use governmental postage and paper for such an interest. It would be legal to have a governmental employee use government time, paper, and postage to extend invitations to all interested groups to attend a meeting sponsored by an appropriate government agency.

6. It would be illegal for a government agency to make and distribute posters or any material concerning the election to public office of any

Encl 2

individual, or stating that any group supports such an individual. It would be legal to prepare and distribute strictly non-partisan information concerning the mechanics of voting or suggesting methods for holding non-partisan meetings on election information.

7. It is illegal for the government to force any social education or information program of any type on a private organization. It is legal for a government agency to ask for participation by an organization in conducting an information campaign. However, in case of such request, whether for money or moral support, an organization may or may not agree to participate, depending on its program already in progress.

BY COMMAND OF GENERAL MacARTHUR:

FILE UNDER: Finance

INDEX SHEET

DATE: 29 Mar. 1948

FROM: Legal Sec. TO: ESS/FI

SUBJECT: Amendments to Law Regarding the Emergency Measures for the Accounts of Financial Institutions -- Law No 6.

DOCUMENT FILED UNDER: Laws

CLASSIFIED FILE:

28

FAR EAST COMMAND

Personnel Justification

GPA — Government Secretariat Allied Council — 26 Feb 48

(3) With respect to General Procurement Agent Section in paragraph H, Command (Major HQ), page 96, it is recommended that the following sentence be added to the present statement: "Represents both the Supreme Commander for the Allied Powers and the Japanese Government concerning all transactions requiring reimbursement from appropriated funds for Japanese services, supplies and/or transportation."

K. H. L. ~~cw/cmy/cor/mr~~
Date: 28 Feb 1948

(4) From: Government Section To: GPA

Concur.

1 Incl: n/c

-G.W.-

GS - File copy

27

GENERAL HEADQUARTERS
FAR EAST COMMAND

CHECK SHEET

File No: AG 320.3 Subject: Personnel Justification

(1) From: G-3 Date: 20 Feb 1948

1. Attached is a copy of letter GHQ, FEC AG 200.3 (3 Dec 47)GC-TC, Subject: "Troop Requirements for the Far East Command for 30 June 1948 (Reports Control Symbol CSGOT-(OT)-34)" dated 4 Dec 47, less Appendices to Inclosure No. 2.

2. The cited letter was submitted in compliance with Department of Army instructions which provided insufficient time for preparation to permit individual consultations with all staff sections having an interest in the presentation. It is anticipated that a similar report will be required subsequently and it is therefore requested that each section addressed review the attached report with a view to insuring the accuracy of statements made and to insuring that the most important reasons for personnel requirements have been presented.

3. Comments on the material presented in Inclosure No. 2 to the attached letter are requested with particular regard to paragraph H, Command (Major HQ), and statements included under sub-paragraph 2 b thereto, "Personnel Requirements 30 June 1948 Troop Basis," concerning the individual section addressed.

1 Incl. - GHQ Ltr.

W.H.M.

(7) From: G-1 To: General Proc. Government Secretariat Allied Council Date: 28 Feb 1948

It is recommended that the statements relating to the General Accounting Section in paragraph H, Command (Major HQ), page 98, be amended to read:

"Advises the Supreme Commander on general policies and procedures pertaining to accounting and auditing matters. Consolidates and maintains records of the cost covering the financial aspects of the occupation of Japan, Korea and the Ryukyus Islands, and audits financial and property accounts of all SCAP agencies.

Personnel requirements of the General Accounting Section for 30 June 1948, by type, are as follows:"

H. V. D.

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Government

FILE UNDER: FINANCE

I N D E X S H E E T

DATE: 17 February 1948

FROM: MARQUAT

TO:

SUBJECT: Payments without Diet Appropriations

DOCUMENT FILED UNDER:

CLASSIFIED FILE:

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Finance

GS file

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

CHECK SHEET

(Do not remove from attached sheets) WFM/ECW/PHC/lc

File No.: (3 Feb 46)ESS/AC Subject: Procedure in the Office of the Ministry of Finance

Note No.:	From: ESS To: GS Date: 3 Feb 46
1	1. In compliance with SCAPIN 408, 8 Dec 45, restricted concerns are required to submit applications to SCAP through the Ministry of Finance to perform activities not considered in the normal course of business. Before submitting the applications to SCAP, the Ministry of Finance is required to investigate them and to make appropriate recommendations. 2. In connection with the processing of such applications, it has come to the attention of ESS that the Ministry of Finance is using liaison men who are actually on the payrolls of and employed by restricted concerns to make the investigation that is required by the Ministry of Finance. Such conduct on the part of the Ministry must necessarily obligate it to those companies and likewise decreases the likelihood of objective investigations. 3. It is recommended that GS direct the Ministry of Finance to cease the practice referred to in paragraph 2, above. - W. F. Marquat - - - - - -

Memo.

Mr. Yamada told Library 5/4/46 system must be abolished. Details will be worked out with Col Marcum. FK

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DECLASSIFIED E.O. 14032 SEC. 3(E) AND 3(D) OR (E) NNDG # 775 012

FILE UNDER: FINANCE

I N D E X S H E E T

DATE: 3 Feb., 1948

FROM: WILLIAMS TO:

SUBJECT: H.R. RESOLUTION: Resolution on Raise of Railway Fares

DOCUMENT FILED UNDER: CLASSIFIED FILE:

BUDGET

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DECLASSIFIED E.O. 11652 SEC. 3(E) AND 3(D) OR (E) NNDC # 773 072

FILE UNDER: FINANCE

INDEX SHEET

DATE: 30 Jan., 1946

FROM: G-2 TO: G.S.

SUBJECT: Communist Party Plan to Deceive GHQ and the Japanese Government

DOCUMENT FILED UNDER: CLASSIFIED FILE:

COMMUNIST PARTY

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DECLASSIFIED E.O. 11652 SEC. 3(E) AND 3(D) OR (E) NNDG # 773 012

Finance

File together

20 January, 1948.
1120 hours.

Colonel Echols:

Telephone call from Captain Ghent, Tochigi Prefecture, regarding the prefectural official who was removed from office, about whom you have already spoken to him. The vice-governor of Tochigi went to Tokyo and saw Sonō, and on 10 January received a telegram from Yokohama to again explain the matter, but as he was busy he sent Mr. Kusakato personally; Mr. Kusakato was taken to Kanto for questioning, and they later received a letter from Sonō stating he had no objection to Mr. Kusakato taking another position in the Prefecture. Captain Ghent believes he must have misrepresented the case at Kanto.

The vice-governor cannot do anything further now until he hears from Sonō because it was on the basis of his letter that he was transferred to another position. Captain Ghent requests that you instruct Sono to write and state that Kusakato is to be removed entirely -- the officials in the prefecture say they must receive instructions from the central government.

(Captain Ghent is going to a General Court Martial this afternoon and probably will not be back in his office until Thursday. Telephone # is Tochigi 4404).

MM

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DECLASSIFIED E.O. 14,032 SEC. 3(E) AND 3(D) OR (E) NNDG # 775 072

Utsunomiya, January 5, 1948.

MEMO

The Story of Travelling Expenses in Name Only.

The payment of salaries and wages of the Japanese employees working for the Occupation Forces are being handled by the Occupation Stabilization Section (Employment Section) of our Prefecture Office but the appropriation of these budgets is under the jurisdiction of the Liaison Section. Therefore when some trouble occurs with regard to the payment the Liaison Section can not but participate in the affairs.

When the readjustment of the salaries for these employees was made in accordance with the directives from the Vice Director of C. L. C. and Vice Minister of Welfare Ministry dated May 27, 1947, a clerical error was made, i.e. the former basic salary and temporary allowances (¥ 800.00 per employee per month for relieving from critical food situation) were taken into consideration for the new bases erronously which caused the overpayment of ¥ 750.00 per employee (a payment equivalent of 2½ months allowance) or about ¥ 75,000.00 altogether.
This error was found out later when the same readjustment was made for the salaries of employees working for the Dependents' Houses of the Occupation Forces Personnels.

On November 19, 1947 when Labor Conference Meeting which is the organ for contracting the relationship between Prefecture Office and the Labor Union of the Japanese Employees for the Occupation Forces was held the Prefecture authorities made request to return the overpaid amount to Prefecture Office in some shape of forms. The Union's reply was that they were unable to do so unless they found some unexpected income sources as they were having hard time with the current 1,800.00 base, and the Prefecture authorities understood their hard situation. Further various propcsals for the purpose to wipe off the overpaid amount were brought up at the meeting.

Among these, the proposal gained ground that the overpaid amount should be covered by the paiment in the form of the "travelling expenses" in name only for the Japanese employees. But this procedure requiring the approval of the Military Government, the Union requested to the Prefecture Office to ask Lt. Russell in charge of Labor whether this can be done or not. The Prefecture authorities had to accept this request.

DECLASSIFIED E.O. 12356 SEC. 3(E) AND 3(B) OR (E) NNDG # 775 072

On the next day the Chief of Liaison Section Kusakabe together with Koinuma, an interpreter, visited the Military Government and asked the opinion of Lt. Colonel Reed, the Commanding Officer, after explaining the whole situation, who sent them to Lt. Russell in charge of the affairs, saying that he was very busy with preparing for going home to America.

Then Chief Kusakabe met Lt. Russell, explained him the whole story of the "75,000.00 yen problem" and asked him whether the proposal could be approved or not. Lt. Russell's reply to this was not the affirmative. But, at the beginning, it seemed to be not so negative that he said,"Is the amount too large to do so ?" and "Isn't it difficult to make all the employees concerned travel on official business nominally?" At last, however, after careful consideration, he suggested his opinion as a conclusion that such a procedure should not be permitted, because if it be realised the responsible persons would be tried by Court -martial. Further he suggested that the overpaid amount should be collected out of future salaries and wages during the period of following months.

At this, Chief Kusakabe answered definitely to reject the proposal and left the Military Government after adding that he had just been making such an inquiry according to the request of the Labor Union and this was not his own proposal.

Inferring from Lt. Colonel Reed and Lt. Russell's attitude and the atmosphere of the meeting at that time, accordingly, Chief Kusakabe never dreamed that such a problem would be taken up seriously in some form in future.

Meantime, later on the Union came to agree with the Prefecture authorities concerning the problem that the employees would voluntarily return the overpaid amount completely by March 20, 1948. Thus, this case was settled amicably.

DECLASSIFIED BY AUTHORITY OF SEC. 3(E) AND 3(D) OR (E) NNDG # 775012

CERTIFICATE

It is to certify that the statement in the Memo as attached is true in every particular.

Tokio Tsuruki
TOKIO TSURUKI
Chief of Employment
Stabilization Sec.,
Tochigi Pref.

Hiroji Abe
HIROJI ABE
Senior Official of
Employment Stabilization Sec.,
Tochigi Pref.

Tadashi Matsumoto
TADASHI MATSUMOTO
Senior Official of
Employment Stabilization Sec.,
Tochigi Pref.

M. Akama
MORIAKI AKAMA
Official of Liaison Sec.,
Tochigi Pref.

Taro Fujikake
TARO FUJIKAKE
President,
All Japan Occupation Forces
Employees Labor Union,
Tochigi Branch.

T. Kawamura

TSUTAE KAWAMURA
Secretary,
All Japan Occupation Forces
Employees Labor Union,
Tochigi Branch.

T. Omori

TADASHI OMORI
Clerk,
All Japan Occupation Forces
Employees Labor Union,
Tochigi Branch.

S. Koinuma

SHOSAKU KOINUMA
Chief Interpreter,
Liaison Sec.,
Tochigi Prefecture.

DECLASSIFIED E.O. 12958 SEC. 3.5(B) AND 3.6(B) OR (E) NNDG # 773 072

FILE UNDER: **FINANCE**

I N D E X S H E E T

DATE: **19 December, 1947**

FROM: **SCHNELLE** TO: **Local Gov't Division**

SUBJECT: **MEMORNDUM OF TRANSMITTAL OF IETTER CONCERNING TOWN AND VILLAGE FINANCE**

DOCUMENT FILED UNDER: CLASSIFIED FILE:

MEMOS TO CHIEFS OF DIVISIONS

21A

DOWNGRADED AND/OR DECLASSIFIED EXC. PARA SEC. 3(E) AND 3(D) OR (E) NNDG # 775 012

FILE UNDER: 100

INDEX SHEET

DATE: 25 Nov 17

FROM: The Cormick TO: DC/GS

SUBJECT: Memorandum —

Qualifications and Salaries of Judges

DOCUMENT FILED UNDER: CLASSIFIED FILE:

Memo to Chiefs

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REPRODUCED AT THE NATL ARCHIVES PURSUANT TO E.O. 13526 SEC. 3(b) AND 3(d) OR (E) NNDG # 775 072

Finance

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Government Section

21 November 1947

MEMORANDUM FOR THE RECORD

SUBJECT: Expenses Incurred on the Emperor's Tours

At a conference held in connection with the subject of this memorandum (see Memorandum for the Record, dated 15 November 1947), Mr. Kuroda, of the Imperial Household, was directed to make the first report, covering the expenses paid by Nagano prefecture, by Wednesday, 19 November.

On 18 November, the Finance Ministry presented some figures which were completely inadequate. Mr. Kuroda was then instructed to call at this office with an explanation. He appeared on 20 November and was told by the undersigned that a full and complete detailed report of the expenses paid by the Nagano prefectural government, in connection with the Emperor's recent trip, was to be delivered to Government Section during the morning of 24 November. He did considerable squirming and protested that he was a minor official and had but little authority. He was then told to transmit this request to Mr. Matsudaira, the Grand Steward of the Imperial Household, and that if he, Mr. Matsudaira, did not consider that he possessed sufficient authority to get these facts, a special report to that effect was to be made immediately to the undersigned. The undersigned stated, when closing the interview, that Mr. Kuroda would be held personally responsible for the performance of this task and that if the report was not delivered to Government Section on the 24th, the undersigned would take steps to bring about his removal from office.

Today, at the direction of the undersigned, Mr. Kent, of this Division, called Mr. Kuroda and stated that the Government Section also wanted a list of proposed expenditures to be made by the several prefectures which the Emperor is to visit in the Chugoku region, commencing 26 November. It may be possible and desirable to bring this issue to a head in connection with the Emperor's announced trip.

GUY J. SNOPE
Chief, National Government Division

SCAP FILES

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GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Government Section

15 November 1947

MEMORANDUM FOR THE RECORD

SUBJECT: Expenditure of Funds by the Imperial Household Office

A conference was held on Wednesday, 12 November 1947, at the office of the Finance Division of Economic and Scientific Section, with the following representatives of the Japanese government: Mr. KATO, Vice Grand Steward, Imperial Household; Mr. KURODA, Secretary, Imperial Household; and Mr. WATANABE, Ministry of Finance. The Finance Division of ESS was represented by Mr. E. M. Reed, Chief, Public Finance Branch, and Mr. S. T. Baron, Deputy Chief, Public Finance Branch. Present for Government Section were Mr. Kent and the undersigned.

The undersigned opened the conference by explaining that Government Section has received a report of unusual irregularities in the expenditure of funds by the Imperial Household Office. An account of this gross misuse of funds is contained in the Monthly Military Government Activities Report for August 1947, submitted by the Nagano Military Government Team, APO 181. This Military Government Report, in summary, makes the following allegations:

a. A sum of 485,000 yen was paid from the national treasury for expenses incurred through the Emperor's three-day visit to Nagano prefecture.

b. The above sum was augmented by the passage of a special appropriation bill in the Nagano assembly. This bill provided for an appropriation of prefectural funds in the amount of 1,380,000 yen.

c. The sums mentioned are in addition to normal expenses borne by the Imperial Household.

It was also reported that the Nagano Military Government Team has received various verbal complaints from Japanese citizens denouncing these expenditures. Moreover, one local newspaper unfavorably compared the proposed expenditure with the small sum of 280,000 yen appropriated by the prefectural assembly for the use of the Rehabilitation Council.

The undersigned stated: that the behavior of the Imperial Household Office in this instance was reprehensible; that it is impossible to believe that an appropriation of money by a prefectural assembly for the defrayment of expenses incurred by the Emperor would be unknown to and unsanctioned by the Imperial Household Office; that it can only be assumed that such sanction must have reached the point of an approval, if not an outright request.

C S FILES

In reply to a question by the undersigned, Mr. Reed pointed out that the Finance Division of ESS has approved traveling expenses for the Emperor. Such expenses are authorized in the amount of 35,000 yen per day, with an additional 15,000 yen for necessary additional preparations.

The undersigned then asked the Japanese representatives to indicate what they knew of these matters. Their reply was altogether ambiguous and abstruse, and included a redundant, irrelevant remark that local autonomy sponsored by Government Section did not permit the central government to exercise close supervision over the expenditures and appropriations of the prefectural administrations.

The undersigned contended that the present matter appears to involve, on the contrary, an unwarranted meddling in the fiscal affairs of a prefecture and that such meddling represents a most serious aspect of Government Section's objection. He insisted that the Japanese government present Government Section a detailed clarification of this problem, including complete statistics on all expenses incurred by the Emperor in all parts of Japan since the beginning of this fiscal year. Such statistics should stipulate sums drawn from both prefectural and national funds and list, item by item, detailed expenditures. He admonished the Japanese officials to guard against broad general statements which prove to be meaningless upon close scrutiny. Mr. Kuroda was informed that a report must be in the hands of the Government Section not later than Wednesday, 19 November. However, a report covering the Nagano trip will satisfy that demand. Deadlines will also be laid for subsequent installments since the information demanded can be given in sections, as it covers all of the Emperor's trips since April 1947.

Another matter, not unrelated to the traveling of the Emperor, was also broached by the undersigned. It has been reported that the Imperial Household Office has distributed to young children large numbers of Japanese flags, to be used in greeting the Emperor. Such display of the Japanese flag is a direct violation of orders promulgated by SCAP. The Japanese flag has been authorized for general display on only certain special occasions. It was pointed out that Government Section views such contravention of the Supreme Commander's orders with extreme disfavor. The Japanese representatives were asked to consider this a reproof. Government Section requires a full report explaining the circumstances of such violation of SCAP orders. The representatives of the Imperial Household were told that it would be held responsible should there be a recurrence of such incident.

GUY J. SWOPE
Chief, National Government Division

Prepared by

P. J. Kent

FILE UNDER: Finance

INDEX SHEET

DATE: 10 Oct 47

FROM: Laos TO: C/GS

SUBJECT: Memo

Imperial Princes: Payment to
Those who are Purges.

DOCUMENT FILED UNDER: CLASSIFIED FILE:

Memos to C/GS

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DOCUMENT CONTAINS NO DOD CLASS. 3(E) AND 3(B) OR (E) INFO ... 773 972

WDC/WEL/ENR/ATH/...

319 (1 Oct 47)ESS/YI

Local Finance Policy

ESS GS 1 October 1947

1 1. It is the understanding of this Section that the Government Section has inaugurated a program for the reform of local government, with the objective of attaining increased local government autonomy especially in financial matters. As this Section is primarily responsible for the supervision and reorganization of local government finances, as well as the integration of local government fiscal policy with that of the national government, and has been advising the Japanese Government on all phases of local government finance, request that the Government Section coordinate their program with this office before taking final action in inaugurating local finance reforms.

2. Problems of establishing the local government of Japan on a sounder financial basis is vital to accomplishing SCAP's policy of governmental decentralization. In general the major questions of public policy with which the establishment of sound local finance are inextricably connected are:

a. What functions are to be performed exclusively by local governments? Local government functions must be clearly defined in order to provide a starting point for determining and administering an adequate independent local revenue plan.

b. What is to be the division of responsibility as between prefectural and municipal governments?

c. What functions of government will be mutually carried out by the national government and local governments and how will the relative fields be defined?

d. Are local government personnel and/or facilities to be employed in the administration of national government programs? If so, to what degree are national control and financial arrangements envisioned?

e. What sources of revenue are local governments to have? Are limits to be imposed upon the taxation powers of local governments? Are prefectures, cities, town and villages to be allowed to levy additions to national government taxes?

f. To what extent may local governments engage in deficit financing?

g. Are grants-in-aid systems to be used to assist local government programs? For what purposes are such grants to be made? What agencies,

& 7

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GS - File Copy

1 (contd) national or local, are going to administer these programs? How are the grants to be allocated, and what are to be the matching requirements? Is there to be an apportionment formula and is advance approval of local plans by the national government to be required? Only by answering such questions can a logical grants-in-aid plan be devised to supplement and insure sound local finance.

3. Questions of public policy outlined above are governmental, financial and/or a combination. Until such questions are answered it will be necessary to operate currently under financial plans based on existing government structure and functions.

4. This Section welcomes the cooperation and interest shown by the Government Section in this matter. Request Government Section's views regarding policy questions outlined above.

- W. F. M. - - - CW/CLK/CGT/hm

From: GS To: ESS Date: 23 October 1947

2 The view of Government Section in regard to policy questions raised in basic Check Sheet are as follows:

1. Concur with the principles stated in Paragraph 1. It recognizes that the primary responsibility for supervision and reorganization of local government finances rests with ESS/FI. At the last conference with ESS/FI on this subject, this Section was advised that ESS/FI was working on a basic revision of the tax structure and that probably a Real Property Tax law would be drafted and that such plan or plans would be coordinated with Government Section as soon as formulated. While anticipating receipt of the proposal or plans of ESS/FI, recently has requested from the Home Ministry and Finance Ministry material bearing on the problem of an improved local government tax plan to meet the basic requirements of local government in order to effectuate the actual operation of local government, as contained in the Constitution, Chapter VIII and the Local Autonomy Law.

2. Concur in the statement of SCAP's policy contained in Paragraph 2. However, the answer to the specific questions must be worked out in conference between the two Sections and the Japanese government. In view of the underlying purpose in the Police Law that local governments take over the financing of their police forces, and the provisions in other laws (Disaster, Child Welfare and Transportation) in which definite financial commitments for

DECLASSIFIED E.O. 14.032 SEC. 3(E) AND 3(B) OR (E) NNDG # 775 012

2 (Contd) all governments are weak, the tax plan must be based upon factors as they are now known to exist and upon the now known limits and spheres of the national and local governments.

3. It is recommended that this Section and ESS/FI confer continuously with the Local Finance Committee to be activated upon the dissolution of the Home Ministry in the preparation of a satisfactory plan.

- C. W. - - - - - - - - - - - - - - -