GHQ/SCAP Records(RG 331)
Description of contents

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(7) Film no. Sheet no.

Kambe Case.

GOVERNMENT SECTION

14 February 1951

MEMORANDUM FOR THE RECORD

SUBJECT: Police Reorganization -- Recommendations of Kambe Committee

1. Dr. Kambe, Messrs. Adachi and Sakuma, LAI Commission, and Messrs. Rizzo and Cottrell, GS, discussed amended draft recommendations of committee dated 12 February 1951.

2. Dr. Kambe intends to submit this draft to the government which represents numerous revisions and attempts by the committee to solve conflicting opinions regarding what should be done to remedy the defects in the present municipal police system. Mr. Rizzo stated that it was against GS policy in this instance to approve any group of recommendations and thereby put SCAP's stamp upon them. However, he was willing to make informal observations on the draft. The principal object of the present movement for police reform is to continue the basic general ideas of General MacArthur expressed in his letter of 1947. The Commission is in a good strategic position to push worthwhile reforms in the police system which will benefit not only the local government structure but future of the Japanese people as a whole. Comments on individual portions follow.

3. "1,P1" requires cities to establish autonomous police. Towns and villages have discretion as to whether to establish a police force, which may be dependent or a joint operation with another city or town. This is acceptable.

"1,P2" establishes requirement of two-thirds vote of the assembly of a town or village in order to abolish its autonomous police force. Dr. Kambe felt that since on a controversial issue such as this the voters might be swayed by pressure groups, it would be safer to leave decision to the assembly. Mr. Rizzo observed that if a simple majority decision of the assembly was referred to the voters for ratification through a referendum, it would serve as a double check that public opinion was behind the proposal. He noted that a change such as this was sufficiently fundamental to practically require such procedure. It would be comparable in some ways to a municipal organization changing its charter. Dr. Kambe agreed to resubmit question to his committee before final decision.

4. "2,P1" permits number of autonomous police to be fixed by by-law. This is acceptable.

"2,P2" permits national government establishment of standards for the fixed number of police although the wording would appear to give the local government final decision. Dr. Kambe stated that his intention was

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NO.	FROM	DATE	TO	SYNOPIS
15	ESS	16 Mar 51	C/S	Draft Legislation - JG Budget for FY 1951-1952
15A		21 Mar 51		Financial Crisis Confronting 7 Kanto Prefectures (Extract)
16	CofS	30 Mar 51	GS	Draft Legislation - JG Budget for FY 1951-52
17	Sec Gen/Staff	15 Aug 51	Memo-Record	Conference, Chief of Staff Conf Room, 1445, 15 August, Ref Jap Budget and Associated Matters
18	HL	27 Nov 51	Memo-Record	Conference concerning Amendments to the Supplemental Budget

Budgets

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FROM	DATE	TO	SYNOPIS
	1949		
10A CSD	14 Apr 49	PPD	Budget of Special Accounts for the Fiscal Year 1949-50
11 JW	15 Apr	Napier	Budget Situation
12	9 Sep		Justification ~~XXX~~ of Estimates for Indigenou requirements of the occupation forces in Japan FY-50
	1950		
13 C/S	24 April	GS	Jap Gov't Budget for FY 1951-52
14 COM	2 June 50	GS	Jap Govt Budget for JFY 1951-52

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	1948		
10	3 Feb		H.R. Resolution: resolution on Raise of Railway fares

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FROM	DATE	TO	SYNOPIS
	1947		
6	GS	13 Feb	ESS	Budget Appropriations
7	HUSSEY	25 Jul	C/GS	Supplementary Budget-Imperial House Items
8	BROWN	17 Sept		Draft Supplementary Special Revised Special Budget or General Account No 2 Fiscal year of 1947
9	McLEAN	29 Dec		Approval of Supplementary Budgets by the Die for Agencies not yet Cleared with SCAP

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	FROM	DATE	TO	SYNOPSIS
		1946		
1	ESS/FI	19 Jan	Staff Sec	Japanese Government Budget
1A	Swope	21 Jan	Chief Public Adm Branch	Japanese Budget Explanation Conference
2		20 Feb	ESS/FI	Japanese Government Budget
	[illegible]			
		1947		
3		1947		Supplementary or Revised Budget No. 2 of general Account for the fiscal year 1947
4	GS	28 Jan		Japanese Judicial Budget for fiscal year 1947-48
5	GS	30 Jan		Salaries and Number of Court Employees Budgt

27 November 1951

MEMORANDUM FOR RECORD

SUBJECT: Conference concerning Amendments to the Supplemental Budget

1. On 26 November, Councillors IWAKI (PD), SAIGO (GB), MATSUURA (Soc-R), UCHIMURA (Soc-L), and AZUMA (1st Club) met for the second time with Mr. Reed, ESS/Finance, to discuss their proposed amendments to the Supplemental Budget calling for an additional ¥10 billion appropriation for local equalization grants and ¥3 billion for typhoon rehabilitation. Mr. INAGAWA, H. C. Liaison Office Chief, who served as interpreter, reported the results of the conference as follows:

a. The Councillors' first proposal, to secure the necessary revenue from the International Monetary Fund (¥1 billion), the Foreign Exchange Special Account Reserve Fund (¥7 billion), and the Post-Treaty Adjustment Fund (¥5 billion), was disapproved by Mr. Reed who stated that (1) the first two named sources could not be tapped and (2) any excess in the Post-Treaty Adjustment Fund would be needed for additional expenses next year and would be so earmarked in next year's budget.

b. The Councillors' second proposal was to secure the necessary revenue by using half of the ¥25 - 26 billion surplus from the 1949-50 budget. Mr. Reed replied that SCAP and the Finance Minister were currently discussing the use of that surplus for next year's budget.

c. The Councillors then asked what would be Mr. Reed's reaction if the Finance Minister were to say that funds are available for increased equalization grants and rehabilitation expenses. Mr. Reed replied that Dietmen are free to negotiate at will with the Finance Minister, but he considered it highly doubtful that an acceptable revenue source could be found.

2. The Councillors said that they would continue their study of the matter and bring proposals to ESS "again and again" until a satisfactory solution is found.

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GS Files

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15 August 1951

MEMORANDUM FOR: Record

SUBJECT : Conference, Chief of Staff Conference Room, 1445, 14 August, Reference Japanese Budget and Associated Matters.

ATTENDANCE ; General Ridgway
General Hickey
General Marquat
General Shepard
General Keyser
General Williams
Mr. Rizzo
Colonel Moorman

1. General Marquat pointed out that the present Japanese national income may be expected to exceed routine government expenditures during the next fiscal year. There will exist, therefore, a temptation to order tax reductions instead of appropriating these funds for post-treaty obligations including the security of Japan. It will be necessary to approach the Japanese Government on this matter.

2. SCAP directed that conversations on this matter be initiated with the Japanese Government immediately after the signing of the peace treaty.

3. It was noted that so long as SCAP retains his authority as SCAP he will continue to enforce the stabilization program.

4. General Williams presented a paper dealing with those things to be furnished by the Japanese Government to US forces after the signing of the peace treaty. SCAP approved the paper in principle. Detailed recommendations implementing this approval in principle will be submitted at a later date.

/s/ F. W. Moorman

F. W. MOORMAN
Colonel, GSC
Secretary General Staff

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Note No.	From: CofS	To: Chief, ESS 316 Chief, GS (in turn)	Date: 30 March 1951

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1. The following policy will be applied in the subject issue and similar or related matters:

a. That all amendments to the Government's budget, proposed by any member of the Diet during the course of the Diet deliberations thereon, be reviewed by the Economic and Scientific Section under the same general standards as governed the review of the Government's budget draft and that they be cleared for consideration by the Diet if they do not violate the SCAP's budgetary policy.

b. That other legislative proposals made during the course of Diet deliberations on the budget which contain budgetary implications be cleared provided that appropriate budgetary measures which meet the requirements of a. above have been assured.

c. That legislative proposals having budgetary implications made after a national budget has been passed be cleared provided the funds are legally included for such use in the existing budget. Should no funds be available consideration of the bill should be withheld until the next supplementary or regular budget preparation period since the bill, if passed, would be ineffective until that time anyhow. The Supreme Commander's policy provides for only one supplementary budget for readjustment purposes prior to the opening of the fourth quarter of the fiscal year.

2. There must be a full and complete understanding that this headquarters will continue to exercise surveillance to insure the accomplishment of the terms of the Interim Directive of the United States Government, Serial Number 96, contained in W-81058 of 11 December 48 and that the Directive remains in force.

D. W. H.

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File No.: Subject: Draft Legislation

Note No.	From: ESS	To: C/S	Date: 16 March 1951

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1. It is a matter of grave concern to the undersigned that the Government Section refuses consistently to resolve through orthodox processes problems involving differences of opinion arising from the exercise of legitimate respective staff functions but instead chooses to appeal to higher authority through communications containing criticism of the Economic and Scientific Section.

2. In the instant case it would appear that the "issue" created is misrepresented, distorted and factually baseless. Resolution best could be achieved through the simple expedient of a conference between representatives of the sections concerned where the viewpoints could be correlated in normal discussion. To this end a confidential memorandum (Tab C) was transmitted to General Whitney to which he replied (Tab D) indicating the unacceptability of the proposal. A statement from Mr. E. M. Reed (Tab E) concerning certain assertions in Tab D is attached. In consequence it becomes incumbent upon me to forward an objective reply in spite of my firm conviction that the action is an intrusion on the overburdened time of the Supreme Commander and the Chief of Staff.

3. With reference to statements in paragraph 1 of Check Sheet No. 3, since the content of the reply admittedly contains matter germane to the issue it would appear that the objection to certain "comments ... considered pertinent" is an exaggerated effort to find fault.

4. The discussion in paragraph 2 of the subject document is inaccurate and misleading in the following respects:

a. The 1951-52 budget was prepared by the Ministry of Finance pursuant to Japanese Government commitments to the Occupation through Minister Joseph M. Dodge who came to Japan at the request of the Supreme Commander to advise the Japanese Government with respect to the preparation of its third budget under the so-called Nine-Point Stabilization objective of the United States Government. The ESS participation has been that of counseling the Japanese ministry concerned on the acceptability, under established policy, of the final revisions proposed by the Japanese and of recommending to the Supreme Commander clearance of the budget for introduction into the Diet for action.

b. The Japanese Diet is accorded full opportunity to discuss this and any budget in both its houses with full authority to modify it as it sees fit provided the theory of a balanced budget is maintained, the proposals are in accordance with the stabilization directive and the revenue sources provided

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4 Cont'd actually exist. It has been necessary to base reviews of annual financial programs in terms of complete budgets instead of as separate bills since the non-integrated bills require a reopening of the financing issue unless they come under emergency or reserve provisions already in the budget.

c. The bill cited in the subject communication is recommended for non-clearance precisely because its contents were not included in any section of the budget still under consideration. As proposed for acceptance in check sheet No. 3 this bill as it now stands, if passed independently of provisions for financing, would either be inoperable or would demand funds to be provided in excess of scheduled revenues -- in other words, it would unbalance the budget.

d. The recommendation for non-acceptance of the bill as presented does not preclude the Japanese Government from including the substance of the proposed legislation in a reintroduced bill or as a departmental expenditure provided its cost is included in the national budget either from an additional revenue source or by substituting this expenditure for some other government project that would be cancelled or reduced by an appropriate amount.

e. If, as stated in the check sheet, "there are also likely to be legislative proposals such as embodied in the inclosed bill whose implementation may require expenditure of funds not specifically appropriated for that purpose in the 1951-52 budget" it will be incumbent upon all Occupation Headquarters sections to withhold clearance so long as the balanced budget concept remains a SCAP policy. The proposal to clear such bills is a direct suggestion that the Occupation formally approve action by the Diet in total disregard of its own instructions and announced policy. It could well be the purpose of the Japanese in submitting this bill to establish a precedent for defying existing policy directives.

f. The actual situation as it exists is:

(1) The Japanese Government, upon proposal by any Diet member, may include financial provisions for this bill in the budget still to be passed. If included there will be no objection to its introduction for passage.

(2) All other similar considerations "whose implementation may require the expenditure of funds not specifically appropriated for that purpose" likewise may be integrated in the budget before passage. On either (1) or (2) the bills must be considered in connection with the complete budget and not a single segment of it.

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(3) Unless such action is taken to provide some source of the needed revenues in case of acceptance by the Diet, the bills will cause an unbalance of the budget and should be refused clearance. Under Japanese procedures should a bill be passed by the Diet without provisions for meeting its operating costs it remains inactive until the next budgetary preparation by the Diet. Such bills require priority consideration for financing when the next budget is discussed and if funds are not provided at that time action to repeal the law must be taken. Under such circumstances nothing is lost by deferring consideration of a bill until coordination with the budget is possible.

(4) A budget is a definitive financial mechanism -- it either is balanced or is not balanced -- and any reference to "minutiae" in this connection is inapplicable.

g. The statement that any proposed action "which Government Section understands ESS intends to follow throughout the present Diet session" will serve to "deny the Diet the right to consider any proposals of either type" is completely without foundation in fact as indicated in the foregoing paragraphs. It is of extreme importance that, under the latitude proposed in the subject check sheet, should a bill proposing pay increases pass the Diet without provision for funds to support the additional payment the Supreme Commander might be placed in the position of being forced to invalidate completed action of the Diet as being contrary to U. S. directives on stabilization.

5. Reference paragraph 3 of check sheet No. 3, it is not necessary to speculate as to ESS "intended action." Definite assurance will be given upon consultation or, if direct conference continues to be unacceptable, by communication. "Intrastaff discussion" on an operating level does not establish ESS policy. In isolated evaluation of ESS capabilities of performing its assigned functions Government Section is not justified in alleging "undue rigidity," anachronism" and "destruction of other fundamental objectives of the Occupation."

6. Paragraph 5 of the subject check sheet contains a melange of partial references to statements of the Supreme Commander interpreted to imply support of a selected premise. The pronouncements of the Supreme Commander require no elucidation -- they are crystal clear and are carried out to the letter. In referring to the Chief of Staff policy check sheet of 24 April 1950 (Tab B) no mention is made that this same announcement contains the following references:

"a. The budget must be balanced."

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"g. No supplementary budgets will be authorized except for the single readjustment budget to be made effective before the beginning of the final fiscal quarter."

The latter provisions are specifically opposed in the position taken in the basic paper notwithstanding statements to the contrary.

7. The general comments in paragraphs 5 and 6 are versions of partial facts and of concepts intended as censure but unconvincing as to the existence in the Headquarters of any basic error in procedure. For example, the statement that it is the Supreme Commander's intention to "transfer responsibility" to the Japanese is misleading. There has been no indication from the Supreme Commander that it would be practicable or possible to transfer his authority. His intention, is and has always been, to shift to the Japanese operational responsibility for their internal activities. This has been done continuously and is no new and revolutionary concept. As a matter of fact the Supreme Commander definitely has indicated that there will be no voluntary abandonment of Occupation authority until its formal termination. Recent radios from this Headquarters to Washington have protested vigorously against "suggestions" that the time has come for the Supreme Commander to abandon action in areas of operation where he still retains responsibility and accountability.

8. The special notation that "the precise and detailed control by GHQ in a single area, that of public finance, has led to most of the disturbances in previous Diet sessions ..." partially is attributable to the Government Section's action exactly of the type that it now advocates and partially due to the inherent nature of the subject. In every nation of the world financial policy is predominant in political strategy and consequently prominent in legislative issues.

a. The first instance pertinent to the check sheet reference to a public finance issue in Japan was in calendar year 1950 wherein the House of Councillors refused to accept the Local Tax Bill, thereby making inoperable the budget already passed. The matter was referred to a joint Upper-Lower House committee which failed to reach agreement and the Diet adjourned without passing a local tax bill. In consequence of being unable to operate without full budgeted revenues the government was forced to call a special session of the Diet during which a tax bill was passed. It is especially noteworthy that all these actions are fully in accord with Democratic procedures and in strict compliance with Japanese law. This occurrence fails to support the check sheet allegation in paragraph 6 stated as follows:

"A final objection to the procedure recommended by the Economic and Scientific Section is that it defeats another fundamental Occupation objective, namely, the strengthening of democratic tendencies. It reduces the participation

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of the Diet in the budgetary process to that of enacting the budget exactly as presented by the Cabinet or precipitating a political crisis by rejecting it. Under such conditions the Diet's legislative control over national finances and consequently its power to influence the shape and course of governmental policies and programs becomes negligible. The corrosive effect of such an ineffectual role inevitably robs the legislative branch of all integrity and reduces it to the very status of 'talk club' which it occupied under the Meiji Constitution and the Tojo regime. Specifically in point is the policy instruction transmitted to the Supreme Commander by the United States Government as early as 7 January 1946 which included among the objectives to be accomplished in the reform of the Japanese governmental system 'a legislative body, fully representative of the electorate, with full power to reduce, increase or reject any items in the budget or to suggest new items.'"

There could not have been a more perfect indication of the full exercise of all constitutional rights.

b. The second major event inferred in the check sheet was that of the Government Wage Bill. This bill was prepared by the government with assitance of the Civil Service Division of the Government Section. The bill was not cleared with the Economic and Scientific Section in spite of the fact that the budget contained no finances to support the wage increase. This bill was passed by the Upper House in full defiance of Occupation policy after unilateral clearance by Government Section. When the implications of the action became evident a new bill consistent with budget provisions was introduced in the Lower House and passed by both houses. An extremely tense situation developed. This is a perfect example of what can and will occur in the future if the procedures advocated in the subject check sheet are followed. In this case had the Upper House bill been refused clearance until it conformed to the budget, considerable confusion and embarrassment could have been averted. Here again normal legislative processes were employed although the government requested solution by directive which was refused.

c. To indicate further that there is no Headquarters' interferance with full freedom of the Japanese to discuss and revise budget appropriations it is important to note that the government and some opposition parties at present are proposing a revision in the local tax provisions of the 1951-52 budget as originally drafted. They are consulting with ESS in this matter and have been informed that so long as their plan is consistent with the economic stabilization position there will be no objection. However, careful scrutiny will be maintained as to policy conformance since local finance is directly contributable to the success or failure of the Occupation local autonomy policy which is under surveillance of the Government Section. The frequently exemplified tendency of the government to exercise

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d. An example not in the "area of public finance" but of far-reaching importance to the welfare of Japan, which illustrates the hazards inherent in relinquishing to the Japanese the full authority to ignore FEC directives, is found in the instance of the reorganization of the electric power industry. This creation of the wartime ultra-nationalistic era was specifically indicated for reorganization in FEC instructions and ESS worked out a plan with the Japanese government. Because of the political influence exerted by this super-monopolistic organization it was decided mutually that a directive would hasten the accomplishment of the reconstitution of the industry and subsequent prompt development of power resources. Government Section interceded in this matter and sent a note to the undersigned stating "I know that you will be pleased at the Government's willingness to implement your plan without the necessity of a formal directive." Nearly a year later it was found necessary to issue instructions from GHQ substantially as initially proposed and the vitally required power development projects are not yet under way. The absence of increased power facilities has been reflected directly in the need for additional U.S. dollar appropriations and has slowed down economic recovery.

9. Citation of the action of "all sectors of Japanese business and political opinion as reflected in recently adopted party platforms that Occupation controls be relaxed" is inconclusive. These same elements, both business and political, have advocated this status from very early in the Occupation. It is a naive concept that "full freedom of democracy" and existence of a military Occupation by any means can be made compatible. By very definition they are irreconcilable -- the one being full freedom from controls and the other an instrumentality of control. It follows that the wise, beneficent, but firm supervision under the Supreme Commander of Japanese progress in preparation for autonomous existence has attained fruition and the Japanese have reached the position of being fully "able to govern themselves responsibly and to discharge their international obligations" as stated by General MacArthur. They will be accorded this opportunity upon acceptance of the peace settlement but it is technically and practically impossible to do so before that date. The alarmist attitude that the termination of Occupation authority at a time established by the peace treaty negotiations will result in some catastrophically demoralizing impact upon Japan's national existence is an illusion and unsupported by fact. The smooth transfer of operational processes in the economic field has been a consideration of long standing and the plans under implementation in this respect have been approved fully by the Supreme Commander.

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10. It is essential that there exist a full realization of the situation created in Japan by the adoption of the U. S. Stabilization Program. The facts are:

a. Up to the calendar year 1948 funds for Japan from the United States had been provided under Government and Relief in Occupied Areas appropriations and had been utilized exclusively for food, fertilizers, medical supplies and petroleum products plus administrative expenses. By 1948 the "relief" objective in terms of having prevented disease and unrest had been accomplished and the need for funds to promote rapid development of Japan's industrial production became the issue of the moment. The requirement, as worked out in detail, involved large scale American apporpriations. In order to indicate the intention of Japan to apply these funds to maximize economic recovery on a basis of full value received for the supplied U. S. funds, ESS had proposed a 10-point Economic Stabilization Program which was accepted by the Japanese government but the moderate austerity incidental to the effectuation of the plan introduced complications from the viewpoint of Japanese political party policy.

b. The United States reviewed the SCAP proposal and instituted a Nine-Point Stabilization Program as a prerequisite to the establishment of a revised U.S. dollar-Japanese yen exchange rate and as a contingency for U.S. economic aid to be administered through continued GARIOA annual appropriations. Under date of 11 December 1948, the Supreme Commander for the Allied Powers received radiogram W 81058 which states:

"The following Interim Directive of the U.S. Government, Serial Nbr 96, prepared by the DA in accordance with Par III, 3 of the terms of reference of the Far Eastern Commission and concurred in by the National Security Council, has been received from the DA for transmission to you for necessary action:

"Interim Directive begins:

"1. You will <u>direct</u> the Japanese Govt immediately to carry out a program of economic stabilization by adopting whatever measures may be required rapidly to achieve fiscal, monetary, price and wage stability in Japan and to maximize production for export.

"2. In the development of the above program you will <u>direct</u> the Japanese Govt to adopt measures designed to:

"a. Achieve a true balance in the consolidated budget ..."

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The directive continues in full as in attached Tab A. Minister Joseph M. Dodge came to Japan in company with Secretary of Army Kenneth C. Royall in February 1949 to advise the Supreme Commander and the Japanese government as to the measures required to satisfy the directive to include the preparation of a balanced budget, revision in tax collection procedures, credit controls and other phases of the program. Minister Dodge has returned to Japan on two other occasions to check on the progress achieved and to offer further counsel.

c. The foregoing directive commits the Supreme Command Headquarters to exercise surveillance to insure the accomplishment of the terms of the instructions issued and the directive remains in force. The commitment on the Japanese side was made by the government. It is incumbent upon the Occupation to prevent any action in Japan -- political or otherwise -- contrary to the purposes of the U.S. directive unless and until the latter is revoked.

d. Implicit in these responsibilities of the Supreme Commander is the definite requirement to exercise restraint over legislative proposals inconsistent with the stabilization objective. This may be accomplished through two processes, viz:

(1) Pre-review -- refusing clearance for the enactment of legislation which would defeat the objective of stabilization, or

(2) Post-review -- authorizing the free enactment of legislation and then exercising direct veto power to overrule action of the Diet.

The obvious superiority of the former method and the manifest political turbulence characteristic of the latter action are too evident to require discussion.

e. In the course of exercising this prerogative the Supreme Commander has indicated that he will require full compliance with the stabilization directive in all its provisions but will permit the Japanese to elect the methods of compliance which best may suit their purposes. This rule has been meticulously followed notwithstanding allegations to the contrary. In setting the policy for the 1951-52 budget the Supreme Commander accorded the political aspects complete consideration and Minister Dodge and ESS followed these instructions in every detail. It is the most liberal of the stabilization budgets yet introduced in Japan.

f. Since the Supreme Commander holds the Japanese nation to its commitments to the United States through the government chosen by the electorate as representative of the people, he is required to apply pressures to the Cabinet to keep its proposed legislation within prescribed policy. It would be utterly

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impractical in these premises for him to countenance on the part of opposition parties the introduction of bills pertaining to matters of economic portent without identical restraints being applicable. Such preferential according of flexibility of procedures would be an invitation to political pandemonium which would be devastating of Occupation objectives. To permit the Diet to take legislative action which the Cabinet may not implement because of Occupation restraint defeats a very fundamental postulate of parliamentary government which is that the Cabinet is representative of and responsible to the Diet. An instrumentality would be created susceptible of use to overthrow majority control.

g. It must be assumed that a Diet member, regardless of party affiliations, normally could not find it expedient to vote against bills calling for reduction in taxes, increases in wages, increases in standards of living and similar measures of extreme inflationary nature but contrary to the stabilization objective. A politician does not willingly support austerity when he can get away with ignoring commitments and pass the blame for the failure to the Supreme Commander and the cost involved to the United States. After the peace treaty Japan will be forced to adopt some type of self-disciplinary measures to maintain fiscal controls. At that time the Japanese nation itself will pay the penalty for failure in terms of withdrawal or modification of economic aid or the application of definite economic sanctions against her. Today that policy has been set by the United States in the stabilization directive. There is no discounting the fact that whatever happens in Japan under the Occupation is attributed to the Supreme Commander and that the absence of responsibility for their acts inspires the Japanese toward many objectives which they cannot and will not be able to perpetuate.

h. There follows the conclusion that the proposals in the subject check sheet will operate to destroy the very political equanimity that they seek to preserve. There is no possibility of compromise. Either the stabilization directive must be revoked and the same freedom of action be applied to government and non-government political elements or identical non-discriminatory restrictions must be placed upon both.

11. The exposition in paragraph 10, *supra*, outlines the basis for ESS action in the execution of its Headquarters responsibilities. Should there be any need for modification of its procedures the required changes will be accomplished without delay. The recommendations in the check sheet are predicated upon faulty premises. All recommendations made therein are in existence and are being correctly followed.

12. An extremely serious aspect of the issue, however, is the appearance of unwarranted and irresponsible charges of Occupation duress excesses emanating from within the Headquarters which unless checked are capable of producing

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demoralizing results. Reference to the record of achievement of the Occupation over its broad scope of influence will confirm the magnificent accomplishments as an episode of unparalleled significance. Contemporary history, on the basis of facts, must record General MacArthur's munificent conduct of this Occupation in terms of unchallenged glorification. The Japanese are the most fortunate people of all time among nations initiating military aggression and losing a major war. They are enjoying even now a most generous amount of all the political and cultural advantages of a free nation and are on the eve of attainment of economic self-support. The United States has been given value received for its tremendous dollar and other investments in Japan. The world has learned advanced methods of evaluating human relations and of applying the tenets of Christian Democracy to contain the expanse of totalitarian doctrines in Asia.

13. There is not a single fundamental error in the program of procedures outlined by the Supreme Commander for the conduct of the Occupation. The fact that the Japanese have developed ability to assume the conduct of certain of their internal affairs through the development of methods and the organization of agencies to do so, and have been granted full freedom of action immediately upon development of the requisite capacity, is a normal phenomenon and is strictly according to Occupation plan. It is quite natural that with the passage of time more and more of these activities have been and are being turned over until now only a very few remain in existence. The assumption that remaining supervisory processes are punitive is baseless.

14. Categorical exception is taken to the position that the Occupation has been conducted on a basis of rigid authoritarian oppression and that the imminence of a peace settlement is cause for rushing toward a relaxation of ruthless controls in order to correct the situation in the eyes of the world. It is eminently a matter of most serious moment that such philosophy should germanate and be propagated within the Headquarters itself and that action be proposed which will permit sabotaging of Occupation achievements. The development of such internecine forces is capable of generating a profound impetus toward the ultimate impairment of the Occupation reputation and it must follow that the prestige of the United States in the Orient will be similarly attested. It is incumbent upon all echelons of the Headquarters to coordinate most closely with each other and to render continued loyal support to the Supreme Commander in these closing days of the Allied Occupation epic. The remaining period before the peace treaty, whenever it may be consummated, is especially sensitive to the development of forces tending toward reversion to feudalistic and other unsound systems with intent of placing responsibility upon the Occupation for devitalizing democratization programs. Such influences already are appearing and must not be assisted by according license in the form of alleged political or other freedoms. They must be rigorously opposed -- not supported -- within the Headquarters.

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15. It is not possible to close a discussion of the subject issue without inviting attention to the extreme danger of an impending crisis in Japan, now in an advanced stage of incipience, which may demand the adoption of increased pressures for the first time in the Occupation. The following circumstances may not be ignored:

a. Japan today is in the initial stages of a planned inflation.

b. Coincidental with, but not chargeable to, the visit of Ambassador Dulles there has developed:

(1) A tendency to disregard Occupation authority by directly dealing with United States agencies on issues other than the peace treaty.

(2) A growing acceptance of the false premise that since the peace treaty settlement is near the Japanese are authorized now to establish domestic policy contrary to still effective Occupation directives. This is an unjustifiable expansion of the Dulles Mission discussions of Japan's views on the peace treaty but which it, of course, did not countenance. It is germane to the subject, however, that confidential Japanese sources indicate that they were "advised" that the time is propitious to ask the Supreme Commander to revoke the remaining directive policies and permit complete "free wheeling."

c. The instance mentioned in the basic discussion of a coalition, to include the Liberal Party, consideration of revision of the Local Tax Bill, previously generally accepted by the Cabinet, is an ominous effort to crack the balanced budget bill in the following aspects:

(1) Non-acceptance of the prepared government bill will cause a reopening of the overall budget problem.

(2) The intent, as determined from preliminary indications from Japanese working level personnel is to seek to use the increased revenues from corporation and personal income taxes expected to be generated through increased industrial activity to meet Korean War special demand orders for additional inflationary government spending. Much of this income will not be collected until the end of the 1951-52 tax collection period but this fact is ignored.

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(3) Once the budget is reopened the salutary benefits to the Japanese taxpayer in terms of tax reduction, elimination of reserves and debt retirement items granted by the Supreme Commander in the present tax draft must be reexamined. Reconsideration of these items will result in drastic changes probably resulting in the removal of these benefits.

(4) Since Japan is in the throes of a growing inflation it will be incumbent upon the Occupation to demand a reduction in government spending; a curtailment of private surplus income; the incorporation of a sizable reserve for price change contingencies to meet increased costs of imports and for the purchase of foreign exchange accumulations from increased exports, and a substantive debt retirement reserve as a counterinflationary measure.

d. These issues are extremely controversial from the viewpoint of public acceptance. If this situation is not developed by the imminent review of the Local Tax Bill it definitely will be precipitated at the first forced premature opening of a budget either now or when the supplementary budget is considered, probably before September.

e. The recent organized campaigns in the press charging that non-military exports to contribute to the U.S. defense program will "reduce the people's standard of living"; requesting from the U.S. large appropriations to be used to keep the industry rolling and to pay for the import of basic raw materials; proposing the use of U.S. funds for stockpiling raw materials in Japan; suggesting that Japan be granted full access to world allocated raw materials "to improve the standard of living" notwithstanding the declared intention to place embargoes on exports; proposing the introduction of large amounts of U.S. private capital for power and other improvements; expressing unwillingness to initiate selective controls and similar proposals indicate the existence of a premeditated program of inflation predicated upon obtaining most of the financing for production exclusively from the United States and expending the profits accrued from production to increase the Japanese living standards. While it is recognized that some increase in consumer goods is required to counter the expanding inflation, the extent to which the increase in individual purchasing power will develop is extravagantly out of proportion to the possibility of meeting it with consumer goods. No part of the plan contemplates the application of sizable gains to capital accumulation -- full reliance being placed upon a non-existent incentive for foreign investment to meet capital financing.

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f. The eventuation of this plan will mean that the United States has invested nearly $2 billion in Japan to stimulate reconstruction and stability with the ultimate accomplishment being that of promoting uncontrolled inflation. Similar processes in Western Germany publicly are recorded as leaving that country in a precarious position of insolvency. The laws of economics are immutable and the outcome of the presently contemplated national objectives is predictable within reasonable limits.

g. The actions available to the Supreme Commander are:

(1) Prevent the threatened dangerous evolution of severe inflation by continued adherence to the stabilization program. This will be unpalatable to the Japanese political environment but will be the best for the nation in the long run. It will require positive action to deny unsound procedures no matter where they originate.

(2) Permit the development of the Japanese planned program of inflation and chance a serious impairment of the Occupation reputation with American public opinion being directly concerned in the failure to achieve economic stability in view of the enormous investment provided by the taxpayers.

(3) Appeal to the United States for instructions in consequence of the circumstances.

The gravity of this situation defies complacent acceptance of the indicated consequences without serious contemplation.

6 Incls:
1. n/c
2. Tab A - DA Radio W 81058, 11 Dec 48, Interim Directive.
3. Tab B - C/S C/N 24 Apr 50, JG Budget for FY 1951-52
4. Tab C - Memo frm Gen Marquat to Gen Whitney, 9 Mar 51.
5. Tab D - Memo frm Gen Whitney to Gen Marquat, 9 Mar 51.
6. Tab E - Memo frm E. M. Reed, ESS/PFE, to Gen Marquat, 12 Mar 51.

W.F.M.

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File No.:

Subject: Draft Legislation

Note No. 3

From: GS

To: C/S
Thru: ESS

Date: 10 February 1951

1. Under established procedure Government Section clears for introduction in the National Diet all legislative proposals whether Government or Member sponsored which do not violate explicit SCAP directives or policies. Of the six objections enumerated in paragraph 2 of ESS C/N No. 2 above, only the first--that no provision was made in the 1951-52 budget for the necessary administrative expenses of the proposed council and its secretariat--is directly related to an explicit Occupation policy, i.e., point one of the Economic Stabilization Program which requires that a true balance be maintained in the consolidated budget.

2. The 1951-52 budget referred to above was prepared by the Ministry of Finance with the advice of the Economic and Scientific Section to insure consistency with SCAP policy, approved by the Cabinet and submitted to the House of Representatives on 23 January 1951. It is still under study in the Budget Committee. During the course of deliberations first in the House of Representatives and then in the House of Councillors some amendments will be proposed. There are also likely to be legislative proposals such as embodied in the inclosed bill whose implementation may require the expenditure of funds not specifically appropriated for that purpose in the 1951-52 budget. The course of action proposed by ESS in this instance, which GS understands ESS intends to follow throughout the present Diet session, is to deny the Diet the right to consider any proposals of either type.

3. Through informal intra-staff discussion it appears that ESS is convinced that this procedure is necessary to safeguard the SCAP objective of economic stabilization. GS, while fully recognizing the need to safeguard this objective, is equally convinced that the procedure followed by ESS is unduly rigid, out of step with the present stage and trend of the Occupation, and destructive of other fundamental objectives. Since this difference of opinion involves the whole delicate mechanism of Occupation control over Japanese governmental processes and the manner of its settlement entails immediate political consequences of grave import not only to the Japanese but to the authority and prestige of the Supreme Commander, the need for a command decision is urgent.

4. Obviously the 1951-52 budget draft now before the Diet is not the only possible combination which would satisfy the requirements of the Economic Stabilization Program. Variations could be devised within the framework of both the U.S. Interim Directive of 10 December 1948 and the policy check sheet of 24 April 1950 issued by the Chief of Staff, GHQ, FEC-SCAP concerning the Japanese Government budget for the fiscal year 1951-52. Therefore, it is not necessary to deny the Diet the right to consider any proposed amendments to the Cabinet's budget draft or other legislative proposals having budgetary implications. It has been

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SUPREME COMMANDER FOR THE ALLIED POWERS

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File No.: Subject: Draft Legislation

Note No.	From: GS	To: C/S Thru: ESS	Date: 10 February 1951

3 (Contd)

the consistent policy of the Supreme Commander as communicated to the undersigned that he would not concern himself with the minutiae of government appropriations so long as provision was simultaneously made for adequate revenues to maintain a true budgetary balance.

5. At the present stage of the Occupation the rigidity of control inherent in the procedure recommended by the Economic and Scientific Section appears anachronistic. Nearly two years ago the Supreme Commander announced his intention to transfer responsibility to the Japanese as rapidly as they demonstrated the capacity to assume it. The Chief of Staff's check note of 24 April 1950 outlined the policy of elimination and relaxation of controls and the assumption by General Headquarters' Staff Sections of "the role of offering advice and guidance as distinguished from precise and detailed direction." Government Section believes that this policy has not in fact been implemented to the fullest extent and that as a result the position of leadership which the Occupation has heretofore exercised over the Japanese Government and people is being endangered. It is notable that precise and detailed control by GHQ in a single area, that of public finance, has led to most of the disturbances in previous Diet sessions and it is likely that maintenance of such rigid control will prove a source of increasing restiveness and trouble in the present and future sessions. Attention is invited to the desire voiced by all sectors of Japanese business and political opinion as reflected in recently adopted party platforms that Occupation controls be relaxed. Government Section does not argue that any controls which are really necessary to safeguard SCAP's objectives should be relinquished as a concession to inspired pressure, but does urge that with the Occupation in its sixth year and the Japanese people finally within sight of full freedom and sovereignty, the time has come for GHQ Staff Sections to support by action the Supreme Commander's publicly expressed position that the Japanese are able to govern themselves responsibly and to discharge their international obligations. In this connection the Supreme Commander has for some time been conscious of the need to hasten the transition between the conditions of Occupation and formal peace in order to minimize the impact upon the Japanese people which would result from a sudden post-treaty lifting of Occupation controls.

6. A final objection to the procedure recommended by the Economic and Scientific Section is that it defeats another fundamental Occupation objective, namely, the strengthening of democratic tendencies. It reduces the participation of the Diet in the budgetary process to that of enacting the budget exactly as presented by the Cabinet or precipitating a political crisis by rejecting it.

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3 (Contd) Under such conditions the Diet's legislative control over national finances and consequently its power to influence the shape and course of governmental policies and programs becomes negligible. The corrosive effect of such an ineffectual role inevitably robs the legislative branch of all integrity and reduces it to the very status of "talk club" which it occupied under the Meiji Constitution and the Tojo regime. Specifically in point is the policy instruction transmitted to the Supreme Commander by the United States Government as early as 7 January 1946 which included among the objectives to be accomplished in the reform of the Japanese governmental system "a legislative body, fully representative of the electorate, with full power to reduce, increase or reject any items in the budget or to suggest new items."

7. In view of the foregoing Government Section recommends:

a. That all amendments to the budget proposed during the course of Diet deliberations thereon be reviewed by the Economic and Scientific Section under the same general standards as governed the review of the Government's budget draft and that they be cleared for consideration by the Diet if they do not violate the SCAP's budgetary policy; and

b. That other legislative proposals having budgetary implications be cleared subject to the proviso that any expenditures required for their implementation be provided for by appropriate budgetary measures which meet the requirement of "a" above.

1 Incl
n/c

C.W.

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21 March 1951 rk

FINANCIAL CRISIS CONFRONTING SEVEN KANTO PREFECTURES: (EXTRACT)

Bills of 1951 fiscal year budget have been compiled by respective authorities of Kanto's seven prefectural government; in Kanagawa, Tochigi and Gunma bills are now under hot discussion by prefectural assemblies; in Chiba, Saitama, Ibaraki and Yamanashi budget bills are about to be submitted to respective assemblies. In order to meet increasing expenditures as well as poor resources of revenues, these prefectural authorities have been compelled to cut expenses of enterprises, expenses of administration and also discontinue enterprises. On the other hand, notwithstanding the fact that all these prefectures are relying on the distribution of Local Finance Equalization Fund and other types of subsidies from the central government as main resources of revenues, the total amount of these resources contained in the national budget have been decreased, therefore, these prefectural finances in 1951 fiscal year are being confronted with crisis.

1. Increased expenditures shown in budgets: (Figures in million yen)

	1951 Expenditures	1950 Expenditures	Increase
Ibaraki	6,900	4,300	2,600
Kanagawa	6,400	5,800	600
Chiba	4,500	4,100	400
Saitama	4,390	4,090	300
Yamanashi	2,590	2,390	200
Tochigi	4,380	4,880	500(decrease)
Gunma	4,160	3,145	101
TOTAL.....	33,260.....	28,705.....	4,610

2. Re: Percentage of tax amount to total revenue: Studying on the details of revenues of seven prefectures one can easily notice that the total tax revenue amounts to only 7.3 billion yen - 22% of the total revenue of 33.2 billion.

This fact was caused by the following reasons: Prefectures wherein commerce or industry flourishes can collect a considerable amount of the enterprise tax. On the contrary agricultural prefectures such as Saitama, Tochigi, Yamanashi and Ibaraki cannot rely on the payment of the enterprise tax, because farmers are exempted from paying the said tax. On the other hand the payment of the entertainment tax as well as the admission tax by farmers cannot be expected to amount to much money. Estimated prefectural tax revenues of respective prefectures in 1951.

15-A

Kanagawa	2.20	billion	yen	(35%	of	its	total revenues)
Saitama	1.15	"	"	(26%			")
Chiba	1.00	"	"	(22%			")
Gunma	0.93	"	"	(22%			")
Tochigi	0,80	"	"	(19%			")
Yamanashi	0.45	"	"	(13%			")
Ibaraki	1.50	"	"	(11			")

3. Aid out of the national purse is badly needed: Under above stated circumstances seven prefectures in Kanto area were compelled to rely on the allotment of the Equalization Fund and other types of subsidies - 18.3 billion yen in total, out of the national purse in order to compile budgets for 1951 fiscal year. For instance Ibaraki Prefecture alone requests the allotment of 2.3 billion yen.

To improve such unhealthy budget it is being ardently desired by the prefectural authorities that the central government shall turn a considerable portion of national tax resources over to prefectures.

K. KOIWAI

GS file

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File No:

Subject: Draft Legislation

GS Budget for FY 51-52

Note No. 4

From: ESS To: C/S Date: 16 March 1951

1. It is a matter of grave concern to the undersigned that the Government Section refuses consistently to resolve through orthodox processes problems involving differences of opinion arising from the exercise of legitimate respective staff functions but instead chooses to appeal to higher authority through communications containing criticism of the Economic and Scientific Section.

2. In the instant case it would appear that the "issue" created is misrepresented, distorted and factually baseless. Resolution best could be achieved through the simple expedient of a conference between representatives of the sections concerned where the viewpoints could be correlated in normal discussion. To this end a confidential memorandum (Tab C) was transmitted to General Whitney to which he replied (Tab D) indicating the unacceptability of the proposal. A statement from Mr. E. M. Reed (Tab E) concerning certain assertions in Tab D is attached. In consequence it becomes incumbent upon me to forward an objective reply in spite of my firm conviction that the action is an intrusion on the overburdened time of the Supreme Commander and the Chief of Staff.

3. With reference to statements in paragraph 1 of Check Sheet No. 3, since the content of the reply admittedly contains matter germane to the issue it would appear that the objection to certain "comments ... considered pertinent" is an exaggerated effort to find fault.

4. The discussion in paragraph 2 of the subject document is inaccurate and misleading in the following respects:

a. The 1951-52 budget was prepared by the Ministry of Finance pursuant to Japanese Government commitments to the Occupation through Minister Joseph M. Dodge who came to Japan at the request of the Supreme Commander to advise the Japanese Government with respect to the preparation of its third budget under the so-called Nine-Point Stabilization objective of the United States Government. The ESS participation has been that of counseling the Japanese ministry concerned on the acceptability, under established policy, of the final revisions proposed by the Japanese and of recommending to the Supreme Commander clearance of the budget for introduction into the Diet for action.

b. The Japanese Diet is accorded full opportunity to discuss this and any budget in both its houses with full authority to modify it as it sees fit provided the theory of a balanced budget is maintained, the proposals are in accordance with the stabilization directive and the revenue sources provided

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actually exist. It has been necessary to base reviews of annual financial programs in terms of complete budgets instead of as separate bills since the non-integrated bills require a reopening of the financing issue unless they come under emergency or reserve provisions already in the budget.

c. The bill cited in the subject communication is recommended for non-clearance precisely because its contents were not included in any section of the budget still under consideration. As proposed for acceptance in check sheet No. 3 this bill as it now stands, if passed independently of provisions for financing, would either be inoperable or would demand funds to be provided in excess of scheduled revenues — in other words, it would unbalance the budget.

d. The recommendation for non-acceptance of the bill as presented does not preclude the Japanese Government from including the substance of the proposed legislation in a reintroduced bill or as a departmental expenditure provided its cost is included in the national budget either from an additional revenue source or by substituting this expenditure for some other government project that would be cancelled or reduced by an appropriate amount.

e. If, as stated in the check sheet, "there are also likely to be legislative proposals such as embodied in the inclosed bill whose implementation may require expenditure of funds not specifically appropriated for that purpose in the 1951-52 budget" it will be incumbent upon all Occupation Headquarters sections to withhold clearance so long as the balanced budget concept remains a SCAP policy. The proposal to clear such bills is a direct suggestion that the Occupation formally approve action by the Diet in total disregard of its own instructions and announced policy. It could well be the purpose of the Japanese in submitting this bill to establish a precedent for defying existing policy directives.

f. The actual situation as it exists is:

(1) The Japanese Government, upon proposal by any Diet member, may include financial provisions for this bill in the budget still to be passed. If included there will be no objection to its introduction for passage.

(2) All other similar considerations "whose implementation may require the expenditure of funds not specifically appropriated for that purpose" likewise may be integrated in the budget before passage. On either (1) or (2) the bills must be considered in connection with the complete budget and not a single segment of it.

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(3) Unless such action is taken to provide some source of the needed revenues in case of acceptance by the Diet, the bills will cause an unbalance of the budget and should be refused clearance. Under Japanese procedures should a bill be passed by the Diet without provisions for meeting its operating costs it remains inactive until the next budgetary preparation by the Diet. Such bills require priority consideration for financing when the next budget is discussed and if funds are not provided at that time action to repeal the law must be taken. Under such circumstances nothing is lost by deferring consideration of a bill until coordination with the budget is possible.

(4) A budget is a definitive financial mechanism — it either is balanced or is not balanced — and any reference to "minutiae" in this connection is inapplicable.

g. The statement that any proposed action "which Government Section understands ESS intends to follow throughout the present Diet session" will serve to "deny the Diet the right to consider any proposals of either type" is completely without foundation in fact as indicated in the foregoing paragraphs. It is of extreme importance that, under the latitude proposed in the subject check sheet, should a bill proposing pay increases pass the Diet without provision for funds to support the additional payment the Supreme Commander might be placed in the position of being forced to invalidate completed action of the Diet as being contrary to U. S. directives on stabilization.

5. Reference paragraph 3 of check sheet No. 3, it is not necessary to speculate as to ESS "intended action." Definite assurance will be given upon consultation or, if direct conference continues to be unacceptable, by communication. "Intrastaff discussion" on an operating level does not establish ESS policy. In isolated evaluation of ESS capabilities of performing its assigned functions Government Section is not justified in alleging "undue rigidity," "anachronism" and "destruction of other fundamental objectives of the Occupation."

6. Paragraph 5 of the subject check sheet contains a malange of partial references to statements of the Supreme Commander interpreted to imply support of a selected premise. The pronouncements of the Supreme Commander require no elucidation -- they are crystal clear and are carried out to the letter. In referring to the Chief of Staff policy check sheet of 24 April 1950 (Tab B) no mention is made that this same announcement contains the following references:

"a. The budget must be balanced."

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"g. No supplementary budgets will be authorized except for the single readjustment budget to be made effective before the beginning of the final fiscal quarter."

The latter provisions are specifically opposed in the position taken in the basic paper notwithstanding statements to the contrary.

7. The general comments in paragraphs 5 and 6 are versions of partial facts and of concepts intended as censure but unconvincing as to the existence in the Headquarters of any basic error in procedure. For example, the statement that it is the Supreme Commander's intention to "transfer responsibility" to the Japanese is misleading. There has been no indication from the Supreme Commander that it would be practicable or possible to transfer his authority. His intention, is and has always been, to shift to the Japanese operational responsibility for their internal activities. This has been done continuously and is no new and revolutionary concept. As a matter of fact the Supreme Commander definitely has indicated that there will be no voluntary abandonment of Occupation authority until its formal termination. Recent radios from this Headquarters to Washington have protested vigorously against "suggestions" that the time has come for the Supreme Commander to abandon action in areas of operation where he still retains responsibility and accountability.

8. The special notation that "the precise and detailed control by GHQ in a single area, that of public finance, has led to most of the disturbances in previous Diet sessions ..." partially is attributable to the Government Section's action exactly of the type that it now advocates and partially due to the inherent nature of the subject. In every nation of the world financial policy is predominant in political strategy and consequently prominent in legislative issues.

a. The first instance pertinent to the check sheet reference to a public finance issue in Japan was in calendar year 1950 wherein the House of Councillors refused to accept the Local Tax Bill, thereby making inoperable the budget already passed. The matter was referred to a joint Upper-Lower House committee which failed to reach agreement and the Diet adjourned without passing a local tax bill. In consequence of being unable to operate without full budgeted revenues the government was forced to call a special session of the Diet during which a tax bill was passed. It is especially noteworthy that all these actions are fully in accord with Democratic procedures and in strict compliance with Japanese law. This occurrence fails to support the check sheet allegation in paragraph 6 stated as follows:

"A final objection to the procedure recommended by the Economic and Scientific Section is that it defeats another fundamental Occupation objective, namely, the strengthening of democratic tendencies. It reduces the partici-

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pation of the Diet in the budgetary process to that of enacting the budget exactly as presented by the Cabinet or precipitating a political crisis by rejecting it. Under such conditions the Diet's legislative control over national finances and consequently its power to influence the shape and course of governmental policies and programs becomes negligible. The corrosive effect of such an ineffectual role inevitably robs the legislative branch of all integrity and reduces it to the very status of " talk club' which it occupied under the Meiji Constitution and the Tojo regime. Specifically in point is the policy instruction transmitted to the Supreme Commander by the United States Government as early as 7 January 1946 which included among the objectives to be accomplished in the reform of the Japanese governmental system 'a legislative body, fully representative of the electorate, with full power to reduce, increase or reject any items in the budget or to suggest new items.'"

There could not have been a more perfect indication of the full exercise of all constitutional rights.

b. The second major event inferred in the check sheet was that of the Government Wage Bill. This bill was prepared by the government with assistance of the Civil Service Division of the Government Section. The bill was not cleared with the Economic and Scientific Section in spite of the fact that the budget contained no finances to support the wage increase. This bill was passed by the Upper House in full defiance of Occupation policy after unilateral clearance by Government Section. When the implications of the action became evident a new bill consistent with budget provisions was introduced in the Lower House and passed by both houses. An extremely tense situation developed. This is a perfect example of what can and will occur in the future if the procedures advocated in the subject check sheet are followed. In this case had the Upper House bill been refused clearance until it conformed to the budget, considerable confusion and embarrassment could have been averted. Here again normal legislative processes were employed although the government requested solution by directive which was refused.

c. To indicate further that there is no Headquarters' interference with full freedom of the Japanese to discuss and revise budget appropriations it is important to note that the government and some opposition parties at present are proposing a revision in the local tax provisions of the 1951-52 budget as originally drafted. They are consulting with ESS in this matter and have been informed that so long as their plan is consistent with the economic stabilization position there will be no objection. However, careful scrutiny will be maintained as to policy conformance since local finance is directly contributable to the success or failure of the Occupation local autonomy policy which is under surveillance of the Government Section. The frequently exemplified tendency of the Government to

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exercise control over local autonomy through fiscal measures requires careful examination in the interest of building up democratic processes. On the other hand the view of many local governments that they may retain complete self-dependence while at the same time demanding inordinate financing from national government revenues also is a tenuous position.

d. An example not in the "area of public finance" but of far-reaching importance to the welfare of Japan, which illustrates the hazards inherent in relinquishing to the Japanese the full authority to ignore FEC directives, is found in the instance of the reorganization of the electric power industry. This creation of the wartime ultra-nationalistic era was specifically indicated for reorganization in FEC instructions and ESS worked out a plan with the Japanese government. Because of the political influence exerted by this super-monopolistic organization it was decided mutually that a directive would hasten the accomplishment of the reconstitution of the industry and subsequent prompt development of power resources. Government Section interceded in this matter and sent a note to the undersigned stating "I know that you will be pleased at the Government's willingness to implement your plan without the necessity of a formal directive." Nearly a year later it was found necessary to issue instructions from GHQ substantially as initially proposed and the vitally required power development projects are not yet under way. The absence of increased power facilities has been reflected directly in the need for additional U.S. dollar appropriations and has slowed down economic recovery.

9. Citation of the action of "all sectors of Japanese business and political opinion as reflected in recently adopted party platforms that Occupation controls be relaxed" is inconclusive. These same elements, both business and political, have advocated this status from very early in the Occupation. It is a naive concept that "full freedom of democracy" and existence of a military Occupation by any means can be made compatible. By very definition they are irreconcilable — the one being full freedom from controls and the other an instrumentality of control. It follows that the wise, beneficent, but firm supervision under the Supreme Commander of Japanese progress in preparation for autonomous existence has attained fruition and the Japanese have reached the position of being fully "able to govern themselves responsibly and to discharge their international obligations" as stated by General MacArthur. They will be accorded this opportunity upon acceptance of the peace settlement but it is technically and practically impossible to do so before that date. The alarmist attitude that the termination of Occupation authority at a time established by the peace treaty negotiations will result in some catastrophically demoralizing impact upon Japan's national existence is an illusion and unsupported by fact. The smooth transfer of operational processes in the economic field has been a consideration of long standing and the plans under implementation in this respect have been approved fully by the Supreme Commander.

GENERAL HEADQUARTERS
FAR EAST COMMAND

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File No:

Subject: Draft Legislation

Note No. 4 Cont'd

From: ESS To: C/S Date: 16 March 1951

10. It is essential that there exist a full realization of the situation created in Japan by the adoption of the U.S. Stabilization Program. The facts are:

a. Up to the calendar year 1948 funds for Japan from the United States had been provided under Government and Relief in Occupied Areas appropriations and had been utilized exclusively for food, fertilizers, medical supplies and petroleum products plus administrative expenses. By 1948 the "relief" objective in terms of having prevented disease and unrest had been accomplished and the need for funds to promote rapid development of Japan's industrial production became the issue of the moment. The requirement, as worked out in detail, involved large scale American appropriations. In order to indicate the intention of Japan to apply these funds to maximize economic recovery on a basis of full value received for the supplied U. S. funds, ESS had proposed a 10-point Economic Stabilization Program which was accepted by the Japanese government but the moderate austerity incidental to the effectuation of the plan introduced complications from the viewpoint of Japanese political party policy.

b. The United States reviewed the SCAP proposal and instituted a Nine-Point Stabilization Program as a prerequisite to the establishment of a revised U.S. dollar-Japanese yen exchange rate and as a contingency for U.S. economic aid to be administered through continued GARIOA annual appropriations. Under date of 11 December 1948, the Supreme Commander for the Allied Powers received radiogram W 81058 which states:

"The following Interim Directive of the U.S. Government, Serial Nbr 96, prepared by the DA in accordance with Par III, 3 of the terms of reference of the Far Eastern Commission and concurred in by the National Security Council, has been received from the DA for transmission to you for necessary action:

"Interim Directive begins:

"1. You will direct the Japanese Govt immediately to carry out a program of economic stabilization by adopting whatever measures may be required rapidly to achieve fiscal, monetary, price and wage stability in Japan and to maximize production for export.

"2. In the development of the above program you will direct the Japanese Govt to adopt measures designed to:

"a. Achieve a true balance in the consolidated budget ..."

****

GENERAL HEADQUARTERS
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File No:

Subject: Draft Legislation

Note No.	From: ESS	To: C/S	Date: 16 March 1951

4 Cont'd

The directive continues in full as in attached Tab A. Minister Joseph M. Dodge came to Japan in company with Secretary of Army Kenneth C. Royall in February 1949 to advise the Supreme Commander and the Japanese government as to the measures required to satisfy the directive to include the preparation of a balanced budget, revision in tax collection procedures, credit controls and other phases of the program. Minister Dodge has returned to Japan on two other occasions to check on the progress achieved and to offer further counsel.

c. The foregoing directive commits the Supreme Command Headquarters to exercise surveillance to insure the accomplishment of the terms of the instructions issued and the directive remains in force. The commitment on the Japanese side was made by the government. It is incumbent upon the Occupation to prevent any action in Japan — political or otherwise -- contrary to the purposes of the U. S. directive unless and until the latter is revoked.

d. Implicit in these responsibilities of the Supreme Commander is the definite requirement to exercise restraint over legislative proposals inconsistent with the stabilization objective. This may be accomplished through two processes, viz:

(1) Pre-review -- refusing clearance for the enactment of legislation which would defeat the objective of stabilization, or

(2) Post-review — authorizing the free enactment of legislation and then exercising direct veto power to overrule action of the Diet.

The obvious superiority of the former method and the manifest political turbulence characteristic of the latter action are too evident to require discussion.

e. In the course of exercising this prerogative the Supreme Commander has indicated that he will require full compliance with the stabilization directive in all its provisions but will permit the Japanese to elect the methods of compliance which best may suit their purposes. This rule has been meticulously followed notwithstanding allegations to the contrary. In setting the policy for the 1951-52 budget the Supreme Commander accorded the political aspects complete consideration and Minister Dodge and ESS followed these instructions in every detail. It is the most liberal of the stabilization budgets yet introduced in Japan.

f. Since the Supreme Commander holds the Japanese nation to its commitments to the United States through the government chosen by the electorate as representative of the people, he is required to apply pressures to the Cabinet to

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FAR EAST COMMAND

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File No:

Subject: Draft Legislation

Note No.	From: ESS	To: C/S	Date: 16 March 1951

4 Cont'd

keep its proposed legislation within prescribed policy. It would be utterly impractical in these premises for him to countenance on the part of opposition parties the introduction of bills pertaining to matters of economic portent without identical restraints being applicable. Such preferential according of flexibility of procedures would be an invitation to political pandemonium which would be devastating of Occupation objectives. To permit the Diet to take legislative action which the Cabinet may not implement because of Occupation restraint defeats a very fundamental postulate of parliamentary government which is that the Cabinet is representative of and responsible to the Diet. An instrumentality would be created susceptible of use to overthrow majority control.

g. It must be assumed that a Diet member, regardless of party affiliations, normally could not find it expedient to vote against bills calling for reduction in taxes, increases in wages, increases in standards of living and similar measures of extreme inflationary nature but contrary to the stabilization objective. A politician does not willingly support austerity when he can get away with ignoring commitments and pass the blame for the failure to the Supreme Commander and the cost involved to the United States. After the peace treaty Japan will be forced to adopt some type of self-disciplinary measures to maintain fiscal controls. At that time the Japanese nation itself will pay the penalty for failure in terms of withdrawal or modification of economic aid or the application of definite economic sanctions against her. Today that policy has been set by the United States in the stabilization directive. There is no discounting the fact that whatever happens in Japan under the Occupation is attributed to the Supreme Commander and that the absence of responsibility for their acts inspires the Japanese toward many objectives which they cannot and will not be able to perpetuate.

h. There follows the conclusion that the proposals in the subject check sheet will operate to destroy the very political equanimity that they seek to preserve. There is no possibility of compromise. Either the stabilization directive must be revoked and the same freedom of action be applied to government and non-government political elements or identical non-discriminatory restrictions must be placed upon both.

11. The exposition in paragraph 10, supra, outlines the basis for ESS action in the execution of its Headquarters responsibilities. Should there be any need for modification of its procedures the required changes will be accomplished without delay. The recommendations in the check sheet are predicated upon faulty premises. All recommendations made therein are in existence and are being correctly followed.

12. An extremely serious aspect of the issue, however, is the appearance of unwarranted and irresponsible charges of Occupation duress excesses emanating

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FAR EAST COMMAND

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File No:

Subject: Draft Legislation

Note No.	From: ESS	To: C/S	Date: 16 March 1951

4 Cont'd

from within the Headquarters which unless checked are capable of producing demoralizing results. Reference to the record of achievement of the Occupation over its broad scope of influence will confirm the magnificent accomplishments as an episode of unparalleled significance. Contemporary history, on the basis of facts, must record General MacArthur's munificent conduct of this Occupation in terms of unchallenged glorification. The Japanese are the most fortunate people of all time among nations initiating military aggression and losing a major war. They are enjoying even now a most generous amount of all the political and cultural advantages of a free nation and are on the eve of attainment of economic self-support. The United States has been given value received for its tremendous dollar and other investments in Japan. The world has learned advanced methods of evaluating human relations and of applying the tenets of Christian Democracy to contain the expanse of totalitarian doctrines in Asia.

13. There is not a single fundamental error in the program of procedures outlined by the Supreme Commander for the conduct of the Occupation. The fact that the Japanese have developed ability to assume the conduct of certain of their internal affairs through the development of methods and the organization of agencies to do so, and have been granted full freedom of action immediately upon development of the requisite capacity, is a normal phenomenon and is strictly according to Occupation plan. It is quite natural that with the passage of time more and more of these activities have been and are being turned over until now only a very few remain in existence. The assumption that remaining supervisory processes are punitive is baseless.

14. Categorical exception is taken to the position that the Occupation has been conducted on a basis of rigid authoritarian oppression and that the imminence of a peace settlement is cause for rushing toward a relaxation of ruthless controls in order to correct the situation in the eyes of the world. It is eminently a matter of most serious moment that such philosophy should germanate and be propagated within the Headquarters itself and that action be proposed which will permit sabotaging of Occupation achievements. The development of such internecine forces is capable of generating a profound impetus toward the ultimate impairment of the Occupation reputation and it must follow that the prestige of the United States in the Orient will be similarly attested. It is incumbent upon all echelons of the Headquarters to coordinate most closely with each other and to render continued loyal support to the Supreme Commander in these closing days of the Allied Occupation epic. The remaining period before the peace treaty, whenever it may be consummated, is especially sensitive to the development of forces tending toward reversion to feudalistic and other unsound systems with intent of placing responsibility upon the Occupation for devitalizing democratization programs. Such influences already are appearing and must not be assisted by according license in the form of alleged political or other freedoms. They must be rigorously opposed — not supported -- within the Headquarters.

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GENERAL HEADQUARTERS
FAR EAST COMMAND

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File No: Subject: Draft Legislation

Note No.	From: ESS To: C/S Date: 16 March 1951
4 Cont'd	15. It is not possible to close a discussion of the subject issue without inviting attention to the extreme danger of an impending crisis in Japan, now in an advanced stage of incipience, which may demand the adoption of increased pressures for the first time in the Occupation. The following circumstances may not be ignored:

a. Japan today is in the initial stages of a planned inflation.

b. Coincidental with, but not chargeable to, the visit of Ambassador Dulles there has developed:

(1) A tendency to disregard Occupation authority by directly dealing with United States agencies on issues other than the peace treaty.

(2) A growing acceptance of the false premise that since the peace treaty settlement is near the Japanese are authorized now to establish domestic policy contrary to still effective Occupation directives. This is an unjustifiable expansion of the Dulles Mission discussions of Japan's views on the peace treaty but which it, of course, did not countenance. It is germane to the subject, however, that confidential Japanese sources indicate that they were "advised" that the time is propitious to ask the Supreme Commander to revoke the remaining directive policies and permit complete "free wheeling."

c. The instance mentioned in the basic discussion of a coalition, to include the Liberal Party, consideration of revision of the Local Tax Bill, previously generally accepted by the Cabinet, is an ominous effort to crack the balanced budget bill in the following aspects:

(1) Non-acceptance of the prepared government bill will cause a reopening of the overall budget problem.

(2) The intent, as determined from preliminary indications from Japanese working level personnel is to seek to use the increased revenues from corporation and personal income taxes expected to be generated through increased industrial activity to meet Korean War special demand orders for additional inflationary government spending. Much of this income will not be collected until the end of the 1951-52 tax collection period but this fact is ignored.

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Subject: Draft Legislation

Note No.	From: ESS	To: C/S	Date: 16 March 1951

4 Cont'd

(3) Once the budget is reopened the salutary benefits to the Japanese taxpayer in terms of tax reduction, elimination of reserves and debt retirement items granted by the Supreme Commander in the present tax draft must be reexamined. Reconsideration of these items will result in drastic changes probably resulting in the removal of these benefits.

(4) Since Japan is in the throes of a growing inflation it will be incumbent upon the Occupation to demand a reduction in government spending; a curtailment of private surplus income; the incorporation of a sizable reserve for price change contingencies to meet increased costs of imports and for the purchase of foreign exchange accumulations from increased exports, and a substantive debt retirement reserve as a counterinflationary measure.

d. These issues are extremely controversial from the viewpoint of public acceptance. If this situation is not developed by the imminent review of the Local Tax Bill it definitely will be precipitated at the first forced premature opening of a budget either now or when the supplementary budget is considered, probably before September.

e. The recent organized campaigns in the press charging that non-military exports to contribute to the U.S. defense program will "reduce the people's standard of living"; requesting from the U.S. large appropriations to be used to keep the industry rolling and to pay for the import of basic raw materials; proposing the use of U.S. funds for stockpiling raw materials in Japan; suggesting that Japan be granted full access to world allocated raw materials "to improve the standard of living" notwithstanding the declared intention to place embargoes on exports; proposing the introduction of large amounts of U.S. private capital for power and other improvements; expressing unwillingness to initiate selective controls and similar proposals indicate the existence of a premeditated program of inflation predicated upon obtaining most of the financing for production exclusively from the United States and expending the profits accrued from production to increase the Japanese living standards. While it is recognized that some increase in consumer goods is required to counter the expanding inflation, the extent to which the increase in individual purchasing power will develop is extravagantly out of proportion to the possibility of meeting it with consumer goods. No part of the plan contemplates the application of sizable gains to capital accumulation — full reliance being placed upon a non-existent incentive for foreign investment to meet capital financing.

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FEC AGO Form No 37

8116—FEC P&PC—11/50—100M

GENERAL HEADQUARTERS
FAR EAST COMMAND

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File No:

Subject: Draft Legislation

Note No.	From: ESS	To: C/S	Date: 16 March 1951

4 Cont'd

f. The eventuation of this plan will mean that the United States has invested nearly $2 billion in Japan to stimulate reconstruction and stability with the ultimate accomplishment being that of promoting uncontrolled inflation. Similar processes in Western Germany publicly are recorded as leaving that country in a precarious position of insolvency. The laws of economics are immutable and the outcome of the presently contemplated national objectives is predictable within reasonable limits.

g. The actions available to the Supreme Commander are:

(1) Prevent the threatened dangerous evolution of severe inflation by continued adherence to the stabilization program. This will be unpalatable to the Japanese political environment but will be the best for the nation in the long run. It will require positive action to deny unsound procedures no matter where they originate.

(2) Permit the development of the Japanese planned program of inflation and chance a serious impairment of the Occupation reputation with American public opinion being directly concerned in the failure to achieve economic stability in view of the enormous investment provided by the taxpayers.

(3) Appeal to the United States for instructions in consequence of the circumstances.

The gravity of this situation defies complacent acceptance of the indicated consequences without serious contemplation.

6 Incls:
1. n/c
2. Tab A - DA Radio W 81058, 11 Dec 48, Interim Directive.
3. Tab B - C/S C/N 24 Apr 50, JG Budget for FY 1951-52
4. Tab C - Memo frm Gen Marquat to Gen Whitney, 9 Mar 51.
5. Tab D - Memo frm Gen Whitney to Gen Marquat, 9 Mar 51.
6. Tab E - Memo frm E. M. Reed, ESS/PFE, to Gen Marquat, 12 Mar 51.

-W.F.M.-

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FEC AGO Form No 37

8116—FEC P&PC—11/50—100M

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Economic and Scientific Section
Public Finance Division

C O P Y

12 March 1951

MEMORANDUM FOR: General Marquat

SUBJECT: Conversations with Government Section Referred to in General Whitney's Letter of 10 March 1951

1. Sometime late in February Mr. Frank Rizzo, Government Section, called me concerning the Check Note from Government Section, Subject: Draft Legislation. During the course of the conversation Mr. Rizzo asked whether the check note would serve to raise the basic issue of the extent to which the stabilization directive interferes with the free exercise of democratic processes in Japan, and I replied to the effect for the purpose of raising that issue the Check Note appeared to be well written and supplied an adequate base from which we could present the quite contrary position of ESS. At no time was there any expression of concurrence in the views set forth in the Check Note nor in the language used nor in the tone of the Check Note which appears to impute some desire on the part of ESS to operate in conflict with the basic policies of the Supreme Commander. Leaving out of consideration the style of the Check Note it does set forth clearly the position advocated by the Government Section which is fundamentally that the Diet should be allowed to introduce and pass such legislation as it desires even though such legislation is in fact in conflict with the approved budget or other stabilization measures.

2. My conversation with Mr. Rizzo was in fact limited to the statement that their Check Note appeared to raise the issue which they desired to raise. The statement in General Whitney's letter that the Check Note had been cleared with me and had been "approved" is somewhat overdrawn and must be read in the light of the previous conversations and the rest of the discussion with Mr. Rizzo which was entirely along the line of clarifying what the issue between the sections is and whether the basic issue was raised in the Government Section Check Note.

/s/ EMR

E. M. REED
Chief
Public Finance Division

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GENERAL HEADQUARTERS
FAR EAST COMMAND

CHECK SHEET

(Do not remove from attached sheets) Lt Col Melnick 26-6189

File No: Subject: Japanese Government Budget, JFY 1951-52

Note No.	From: COM To: See Distr. Date: 2 June 1950
1	1. Reference: C/N 1 from C/S, subject: Japanese Government Budget, JFY 1951-52, 24 April 1950. 2. Attached herewith is the revised time schedule, which has been approved by the Chief of Staff. It is requested that this revised time schedule be attached as an inclosure to reference 1 above. 1 Incl Revised Time Schedule -L.L.W.-

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TIME SCHEDULE

CALENDAR DATE	JAPANESE GOVERNMENT ACTION	OCCUPATION HEADQUARTERS ACTION
1 August 1950	Ministers submit initial estimates to Budget Bureau	Review of economic development by ESS in relation to budget policy.
1 September 1950	Submit final estimates to SCAP Headquarters. Confer with ESS in adjustment of estimates.	Other Occupation agencies concerned submit initial TOW estimates to FEC-SCAP Comptroller.
10 September 1950		All sections submit final estimates and begin adjustment of estimates with Comptroller FEC-SCAP.
20 September 1950		Final Headqarters review
1 October 1950	Continue final adjustments. Cabinet consideration and commitment on 15 months budget.	
15 November 1950	Deliver for printing after final approval by SCAP.	SCAP final approval.
1 December 1950	Ready for instruction to Diet of the Supplementary and the 1951-52 Annual Budget.	Surveillance
28 February 1951	Final date for submission to Upper House.	

Incl 1

APPROVED BY THE CHIEF OF STAFF 26 MAY 1950

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Japanese Government Budget
For FY 1951-52

Chief of Staff | See Distribution Below | 24 April 1950

1 1. The following policy regarding the formulation of the Japanese Government budget for FY 1951-52 has been announced by the Supreme Commander for the Allied Powers:

a. The budget must be balanced.

b. The total budget requirements must be lower than those contained in the JFY 1950-51 budget.

c. The budget should provide for a further reduction in taxation consistent with provisions of the Shoup Tax Mission recommendations.

d. Provision should be contained in the budget for an increase in government wages based upon an appropriate restudy of the situation by the National Personnel Authority.

e. Occupation costs must be held to the lowest practicable level and should be lower than in the 1950-51 budget.

f. Appropriations for the reduction of the national debt should be held to the minimum consistent with measures for continued economic stabilization. Counterpart and general account funds for this purpose will be greatly reduced.

g. No supplementary budgets will be authorized except for the single readjustment budget to be made effective before the beginning of the final fiscal quarter.

h. Price subsidies should be further reduced and eliminated wherever possible.

i. The timing of budgetary considerations within General Headquarters and the Japanese Government should be phased to permit such consideration in the Diet as will insure the submission of the JFY 1951-52 annual budget to the House of Councilors not later than the last day of February 1951.

2. Elimination and relaxation of controls exercised directly or indirectly over the Japanese Government agencies by sections of General

13

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Japanese Government Budget
for FY 1951-52

Chief of Staff

See Distribution
Below

24 April 1950

1. (Contd) Headquarters will be effected to the extent feasible in keeping with the Supreme Commander's policy that responsibility for the conduct of their own affairs be transferred to the Japanese Government as rapidly as the capacity to assume such responsibility is demonstrated. It is desired that, consistent with directives from higher authority, appropriate sections of General Headquarters assume the role of offering advice and guidance to agencies of the Japanese Government, as distinguished from precise and detailed direction.

3. As a concomitant of the policy of relaxation of controls, significant reductions in the personnel strength of General Headquarters will be effected. This action will be reflected in a diminished necessity for both U.S. appropriated funds and Japanese appropriated funds. The objective will be to establish within General Headquarters sections the minimum number of competent personnel adequate to discharge the function of furnishing advice and guidance and, correspondingly, to reduce personnel not essential thereto. Further and more detailed instructions regarding the reductions in personnel within General Headquarters will be issued separately.

4. A timetable which will govern the formulation, review and submission of the Japanese Government budget has been established and is attached hereto as Inclosure 1. Technical contact with Japanese Government agencies will be maintained by General Headquarters sections concerned within the scope of their activities. General technical and policy contact with the Japanese Government will be the responsibility of the Economic and Scientific Section. The SCAP Planning Board, consisting of the Chiefs of the Economic and Scientific Section, Civil Information and Education Section, Public Health and Welfare Section, Natural Resources Section, Civil Transportation Section and Civil Communications Section, with Major General W. F. Marquat as ex-officio chairman, is the General Headquarters agency established for the purpose of inter-section coordination. In the event of failure to arrive at satisfactory agreement with respect to any matter of substance, the case will be submitted to the Chief of Staff for final decision, through the Deputy Chief of Staff, SCAP.

COPY

Japanese Government Budget
for FY 1951-52

Chief of Staff | See Distribution Below | 24 April 1950

1. (Contd) 5. The Chief of the Economic and Scientific Section is charged with transmitting to the Japanese Government the timetable set forth in Inclosure 1 and the pertinent provisions of the budget policy announced in paragraph 1, above.

1 Incl: Timetable

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E. M. A.

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TIME SCHEDULE

CALENDAR DATE	JAPANESE GOVERNMENT ACTION	OCCUPATION HEADQUARTERS ACTION
1 August 1950	Ministers submit initial estimates to Budget Bureau	Review of economic developments by ESS in relation to budget policy. Other Occupation agencies concerned submit initial TOW estimates to FEC-SCAP Comptroller.
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1 October 1950	Continue final adjustments. Cabinet consideration and commitment on 15 months budget.	Final Headquarters review.
15 November 1950	Deliver for printing after final approval by SCAP.	SCAP final approval.
1 December 1950	Ready for introduction to Diet of the Supplementary and the 1951-52 Annual Budget.	Surveillance.
28 February 1951	Final date for submission to Upper House.	

Revised by C/N of 2 Jun 50

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INCLOSURE 1.

Budget

RESTRICTED

RESTRICTED

JUSTIFICATION OF ESTIMATES FOR
INDIGENOUS REQUIREMENTS OF THE
OCCUPATION FORCES IN JAPAN
FOR THE JAPANESE FISCAL YEAR 1950

~~Incl. 1~~ 62

DATE: 9 Sept 1949

1. REPORTING UNIT: Government Section, GHQ, SCAP

2. APPROPRIATION: 806 PROJECT: 412 OBJECT: 01

3. Occupation of Personnel	4. Auth. Manning Level JFY 1949 (No of Position)	5. Estimated Yen Obligation JFY 1949	6. Manning Level Requirements JFY 1950 (No of Position)	7. Estimated Yen Requirements JFY 1950
JAPANESE NATIONALS:				
Mimeograph Op.	1	¥ 113,336	1	¥ 113,336
Interpreters	2		2	216,000
Office Clerk	1		1	86,400
8. TOTAL	4	¥ 113,336	4	¥ ~~415,736~~ 113,336

9. JUSTIFICATION:

* See attached inclosure 1 of this inclosure

HSA Form #4

HENRY P. CARRINGTON, Capt, Ch, Adm. Div
Signature Title

12

RESTRICTED

C R O S S R E F E R E N C E

FILE UNDER: Budget

DATE: 15 Apr 49

FROM: JW TO: Napier

SUBJECT: Budget Situation

DOCUMENT FILED UNDER: Memos to Officers CLASSIFICATION

CABINET # 21 Drawer # 4

SHELF #

Budget

CIVIL SERVICE DIVISION
Government Section

14 April 1949

MEMORANDUM FOR: Parliamentary and Political Division,
Government Section

SUBJECT : Budget of Special Accounts for the Fiscal Year 1949-50

No objection is made by the Civil Service Division to the bill named above.

BLAINE HOOVER
Chief, Civil Service Division

BH:GWP:mvb

Recommended
Thos. P.

122-A

3 February 1948

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

Proposed by: MAEDA, Kuni (L) (All members of
MAEDA, Masao (Ind.) (transportation
TAKASE, Dan (SD) (Committee

Whereas, the recent and sudden proposal for a 100 percent increase of railway fares would under the current political and economic situation greatly affect commodity prices and national life.

Be it resolved: Any change of railway fares must not be enforced by the Government unless a Government bill, separate from the budget bill be proposed first to the Diet for approval or disapproval.

Finance
Budget

3 Feb -
OK

FILE UNDER: Budgets – 100

INDEX SHEET

DATE: 29 Dec 47

FROM: McLean TO: —

SUBJECT: M/R –
Approval of Supplementary Budgets by the Dept for Agencies not yet Cleared with SCAD

DOCUMENT FILED UNDER: CLASSIFIED FILE:

Memos for the Record

9

FILE UNDER: Budgets - (100)

INDEX SHEET

DATE: 17 Sept 47

FROM: L.G. Brown TO: —

SUBJECT: N/R -

Draft Supplementary Special Revised
Special Budget or General Account No. 2,
Fiscal Year of 1947

DOCUMENT FILED UNDER: CLASSIFIED FILE:

Memos for the Record

8

FILE UNDER: Budgets

I N D E X S H E E T

DATE: 25 July 47

FROM: Hussey TO: C/GS

SUBJECT: Memo -
Supplementary Budget - Imperial House
Items

DOCUMENT FILED UNDER: CLASSIFIED FILE:

Memos to C/GS
Bk I - p # 18

000.8
(15)

DRN/DB/rh

Budget Appropriations

CIE GS 10 Feb 47
ESS
(in turn)

1

1. Information is requested about basic policy regarding appropriations for informational and educational projects in the draft budgets for ministries of the Imperial Japanese Government.

2. The Civil Information and Education Section is well aware that the Japanese Government cannot possible satisfy all of the fiscal demands made upon it and that informational and educational projects are not the only important projects which must receive consideration. It requests assurance, however, that their importance will not be slighted and that requests for appropriations with which to finance them will not be slashed in greater proportion than requests for other appropriations.

4 Circulate

D.R.N.

CW/FEH/CHP/jsa

From: Gov. Sect. To: ESS Date: 13 Feb 47

Subject: Budget Appropriations

2 Government Section Concurs in Paragraph 2 of Note 1.

C W

53

6

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Government Section

30 January 1947

MEMORANDUM FOR THE RECORD

Subject: Salaries and Number of Court Employees under 1946-47 and 1947-48 Budgets.

Three officials of the Fiscal Section of the Secretariat of the Ministry of Justice, Messrs. Mitsuwa, Kawakita and Kishigami, together with Messrs. Hattori and Higuchi of the Ministry of Justice Liaison Section, presented to Mr. Blakemore on the 23rd of January 1947 the following table and oral comment concerning the salaries and number of judicial personnel under the present judicial budget and that for the coming year.

Title	1946-47 Number	1946-47 Salary	1947-48 Number	1947-48 Salary
SUPREME COURT				
President	1	¥26,400	1	¥70,000
Bureau Chiefs (Judges)	5	20,400	-	-
Judges	-	-	14	50,000
Category 1	12	19,200	-	-
Category 2	12	18,000	-	-
Director of Secretariat	-	-	1	21,600
Deputy Director of Secretariat	-	-	1	18,000
Private Secretary	-	-	1	15,600
Research Officials	-	-	20	15,600
Section Chiefs	-	-	6	15,600
Secretaries				
Chief Secretary	1	18,000	-	-
Secretaries	27	13,800 to 5,520	-	-
Second Class	-	-	1	12,700
Third Class	-	-	10	6,960
Interpreters	-	-	2	15,600
Administrative Secretaries				
Second Class	-	-	12	13,800
Third Class	-	-	40	6,960
Technical Officials				
Second Class	-	-	1	13,800
Third Class	-	-	2	6,960
Judicial trainees	180	6,480	250	6,720
Bailiffs	1	6,360	1	6,960

Title	1946-47 Number	1946-47 Salary	1947-48 Number	1947-48 Salary
COURTS OF APPEAL (High Court)				
Presidents	-	-	8	¥30,000
Category 1	3	¥20,400	-	-
Category 2	4	19,200	-	-
Section Chiefs (Judges)	29	19,200 to 13,800	-	-
Judges	79	19,200 to 13,800	-	-
Category 1	-	-	61	21,600
Category 2	-	-	138	18,000
Bureau Chiefs (Secretarial)	-	-	8	15,600
Chief Secretary	7	15,600	-	-
Secretary	116	13,800 to 6,000	-	-
Second Class Secys	-	-	8	13,800
Third Class Secys	-	-	130	6,960
Bureau Chiefs (Administrative)	-	-		
Administrative Officials				
Second Class	-	-	8	13,800
Third Class	-	-	96	6,960
Bailiffs	7	6,000	8	6,960
DISTRICT COURTS				
Presidents	52	19,200 to 18,000	49	21,600
Judges	1,023	18,000 to 7,440	559	15,600
Associate Judges	26	7,440	237	13,800
Bureau Chief	-	-	49	13,800
Chief Secretary	52	13,800	-	-
Secretaries	3,875	13,800 to 3,600	-	-
Second Class	-	-	49	13,800
Third Class	-	-	581	6,960
Administrative Officials		-	550	6,960
Bailiffs	45	6,000 to 4,800	49	6,960

Title	1946-47 Number	1946-47 Salary	1947-48 Number	1947-48 Salary
PUBLIC SAFETY COURTS				
Judges				
Category 1	-	-	125	15,600
Category 2	-	-	520	13,800
Secretaries				
Second Class	-	-	32	13,800
Third Class	-	-	613	6,960
Administrative Officials	-	-	645	6,960

The salary figures in the above tables do not include special allowances which may be granted to all government officials, such as those for temporary residence in areas where the cost of living is very high, family support, seniority, etc.

A new Appellate Court district, covering the island of Shikoku, is to be set up at Takamatsu.

The decrease in the number of District Courts is a result of the abolition of the Karafuto and Naha courts and the consolidation of District Courts in the Tokyo area. The reduction in the number of District judges appears to be very high, but jurisdictional changes make this feasible. If it develops that a further increase is necessary, it may be handled through subsequent appropriations. The drastic reduction in secretarial officials at District Courts is a result of the elimination of judicial supervision over various registers, such as those dealing with families, land, etc. In the past it has been necessary to maintain numerous branch offices of District Courts to conduct such business.

The principal objections of the Justice Ministerial Officials to the budget concern salaries. While the salaries of the Supreme Court judges are felt to be fair, there is only a very slight improvement in the position of judges of a lower rank. These will continue to draw pay at the present level comparable with that of ordinary government officials. Also, the lack of more generous provisions for members of the administrative staff of the Supreme Court was criticized. These officials will have nationwide responsibilities and should be granted better treatment.

T. L. BLAKEMORE
Legal Officer

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Government Section

28 January 1947

MEMORANDUM FOR THE RECORD

SUBJECT: Japanese Judicial Budget for Fiscal Year 1947-48.

Three officials of the Fiscal Section of the Secretariat of the Ministry of Justice, Messrs. Mitsuwa, Kawakita, and Kishigami, together with Messrs. Hattori and Higuchi of the Ministry of Justice Liaison Section, presented to Mr. Blakemore on 23 January 1947 certain information regarding the provision made for the Judiciary in the 1947-48 budget recently submitted to the Diet. This budget had been worked out by representatives of the Ministry of Justice and the Ministry of Finance and approved by the Cabinet.

Comparisons of this budget with those of previous years are difficult because of the completely independent position of the judiciary. Heretofore, a great deal of the administrative work in connection with courts has been done by Justice Ministry officials who also service prisons and procurators offices. The fiscal officials say that approximately 38,500,000 yen of the present 348,657,852 appropriation to the Ministry of Justice (this includes the original and the two supplemental appropriations) are now devoted to expenditures which correspond to those provided in next year's Judicial budget.

As submitted, the 1947-48 Judicial budget includes the following categories of appropriations:

I. Fixed Expenditures.
(These include salaries of both clerical and Judicial personnel, ordinary operation expenses, ordinary travel costs, book purchases, statistical compilation costs, and the expenditures of special committees such as those drafting court rules, supervising cadets, and editing publications) ¥117,827,000

II. Appropriations for Research and Training.
(This item allows for the in-service training of old officials and the indoctrination of new employees) ¥ 1,957,000

III. Special Expenditures in Connection with Enforcement of New Legislation. (This will be used in the compilation of reference materials, instruction books, etc., for judges and courts. The sweeping nature of the changes in procedure and substantive law will necessitate emergency reorientation) ¥ 1,957,000

IV. Special Expenses in Connection with Extraordinary Arbitration Panels. (Emergency laws dealing with rent and property controls in damaged areas provide for a voluntary arbitration of many categories of disputes. The volume of this work is enormous, and the services of approximately twenty judges is now required. Since this type of arbitration is of a temporary nature, it is carried as a separate budget item) ¥ 2,133,000

V. Provision of Physical Equipment. (Includes office fixtures and rent for houses temporarily being used as courts) ¥ 4,869,000

VI. Materials to Keep Courts Abreast of Social Changes and Developments. (Another Judicial educational program, which differs from III in that it is not limited exclusively to legal matters) ¥ 457,000

VII. Miscellaneous Expenses. (These include the witness expenses and those in connection with the preparation of documents, records, etc. While these might logically be included in Item I, Japanese fiscal practice is to state these separately, since it is impossible to estimate maximum or minimum requirements in advance. Supplemental budgets will make up any deficits in this item) ¥ 12,839,000

TOTAL ¥142,039,000

A separate budget provides for the rebuilding of courthouses, damaged or destroyed, and for the construction of accomodations for new courts. The total appropriation for this is ¥171,960,413.

It is estimated that by the end of the fiscal year 1947-48 approximately 43% of the war-damage and the new requirements will have been met. In another three or four years, the courts should be back to a normal state of repair.

T. L. BLAKEMORE
Legal Officer

SUPPLEMENTARY OR REVISED BUDGET NO. 2 OF GENERAL ACCOUNT FOR THE FISCAL YEAR 1947

(to be submitted to the 1st session of the Diet)

Content:

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under the jurisdiction of the Ministry of Home Affairs
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under the jurisdiction of the Ministry of Agriculture and Forestry

Content:

General Rules of Budget
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under the jurisdiction of the Cabinet
under the jurisdiction of the Ministry of Home Affairs
under the jurisdiction of the Ministry of Welfare
under the jurisdiction of the Ministry of Agriculture and Forestry
under the jurisdiction of the Ministry of Commerce and Industry

General Rules of Budget

Article 1. The fixed budget of revenues and appropriations for the fiscal year 1947 shall be supplemented or revised as follows:

Classification	Supplementary estimate	Revised estimate			Total
		Increase	Decrease	Balance	
		yen	yen	yen	
Revenues	13,054,000 yen	0	0	0	13,054,000 yen
Appropriations	650,921,000	15,784,000	653,651,000	-637,867,000	13,054,000

The total estimates of revenues and appropriations for the fiscal year 1947 shall be respectively 114,553,327,000 yen as a result of above indicated supplement or revision.

Their classification by character or project shall be regulated in the Annexed Table A-1, and by organization unit in the Annexed Table A-2.

Article 2. The details of supplementary estimates of revenues shall be shown in the enclosure, Details of Revised Estimates of Revenues.

Article 3. The details of supplementary or revised estimates of appropriations shall be executed according to the classification shown in the enclosure, Details of Supplementary or Revised Estimates, of Appropriations, in accordance with the provisions of legislation.

Table A-1

Estimates of Revenues

Part	Title	Item	Supplementary estimate
V.	Surplus in the Preceding Fiscal Year		
	(I)	Receipt of surplus in the preceding fiscal year	
		1. Receipt of surplus in the preceding fiscal year	13,054,000 yen

Estimates of Appropriations

Part	Title	Item	Supplementary estimate	Revised Increase	estimate Decrease	Balance	Total
V.	Administration		296,460,000	11,449,000	276,492,000	-265,043,000	31,417,000
	(II)	Cabinet and its subordinate offices	296,460,000	6,880,000	232,088,000	-225,208,000	71,252,000
		7. Price Board	0	4,157,000	0	4,157,000	4,157,000
		8. Administrative Research Board	0	0	236,000	- 236,000	-236,000
		11. Reconstruction Board	0	0	231,852,000	-231,852,000	-231,852,000
		13. Prime Minister's Office	363,000	2,723,000	0	2,723,000	3,086,000
		14. Temporary Civil Service Commission	1,726,000	0	0	0	1,726,000
		15. Local Self-government Committee	14,331,000	0	0	0	14,331,000
		16. Public Safety Board	22,353,000	0	0	0	22,353,000
		17. Construction Board	248,278,000	0	0	0	248,278,000
		18. Geographical Investigation Institute	9,409,000	0	0	0	9,409,000
	(V)	Ministry of Home Affairs and its subordinate offices	0	0	44,404,000	- 44,404,000	-44,404,000
			0	0	15,376,000	- 15,376,000	-15,376,000

(II) Cabinet and its subordinate offices					
	296,460,000	6,880,000	232,088,000	-225,208,000	71,252,000
7.Price Board	0	4,157,000	0	4,157,000	4,157,000
8.Administrative Research Board	0	0	236,000	- 236,000	-236,000
11.Reconstruction Board	0	0	231,852,000	-231,852,000	-231,852,000
13.Prime Minister's Office	363,000	2,723,000	0	2,723,000	3,086,00
14.Temporary Civil Service Commission	1,726,000	0	0	0	1,726,00
15.Local Self-government Committee	14,331,000	0	0	0	14,331,00
16.Public Safety Board	22,353,000	0	0	0	22,353,00
17.Construction Board	248,278,000	0	0	0	248,278,000
18.Geographical Investigation Institute	9,409,000	0	0	0	9,409,000
(V) Ministry of Home Affairs and its subordinate offices	0	0	44,404,000	- 44,404,000	-44,404,00
1.Ministry proper	0	0	15,376,000	- 15,376,000	-15,376,000
2.Geographical Investigation Institute	0	0	2,359,000	- 2,359,000	- 2,359,000
3.Local government offices	0	0	26,669,000	- 26,669,000	-26,669,000
(IX)Ministry of Welfare					
1.Ministry proper	0	2,287,000	0	2,287,000	2,287,000
(XI)Ministry of Commerce and Industry and its subordinate offices					
1.Ministry proper	0	2,282,000	0	2,282,000	2,282,000
VI. Justice and Police					
(VI) Fire-service					
2. Subsidy for local fire-service	0	0	259,201,000	-259,201,000	-259,201,000
VIII. Social Relief and Labour Facilities					
(I) Relief and protection					
1. Protection of living	0	393,000	0	393,000	393,00
IX. Health and Sanitation	0	525,000	0	525,000	525,00
(1) Public sanitation					
1. Investigation and guidance	0	188,000	0	188,000	188,0
(II) Preventive sanitation	0	337,000	0	337,000	337,0
2. Subsidy for prevention of epidemics	0	326,000	0	326,000	326,0

3. Subsidy for prevention of tuberculosis	0	11,000	0	11,000	11,000
X. Industries and Economy					
(X) Commerce and Industry	0	3,025,000	0	3,025,000	3,025,000
7. Conversion and reconstruction of enterprises	0	1,742,000	0	1,742,000	1,742,000
12. Adjustment of demand and supply of Commodities	0	893,000	0	893,000	893,000
13. Disposal of business regarding speical materials	0	390,000	0	390,000	390,000
XIV Common Expenses for Administration	245,075,000	0	64,061,000	-64,061,000	181,014,000
(1) Constructions and repairs of official buildings					
2. Repairs	686,000	0	3,479,000	- 3,479,000	- 2,793,000
(II) Miscellaneous disbursements					
1. Miscellaneous disbursements	244,389,000	0	60,582,000	-60,582,000	183,807,000
XV. Local Finance					
(III) Subsidy for local public bodies' personnel					
1. Subsidy for local public bodies' personnel	109,386,000	392,000	53,897,000	-53,505,000	55,881,000
Grand Total	650,921,000	15,784,000	653,651,000	-637 -639,867,000	13,054,000

Table A-2

Estimates of Revenues
MINISTRY OF FINANCE

Part	Title	Item	Supplementary estimate, 1947
V.	Surplus in the Preceding Fiscal Year		
	(I)	Receipt of surplus in the preceding fiscal year	
		1. Receipt of surplus in the preceding fiscal year	13,054,000 yen

CABINET.
ESTIMATES OF APPROPRIATIONS

Price Board

For revising the fixed estimate due to transfer of the subsidy for local price administration and to the Land and House Rent Judging Committees in To,Do,Fu and Ken from the Ministry of Home Affairs according to its abolition.

Increase 1947, 4,157,000 yen

Part	Title	Item	Revised estimate, 1947 (Increase)
Administration			
	Cabinet and its subordinate offices		
		Price Board	4,157,000 yen

Administrative Research Board

For making unnecessary a part of the fixed estimate due to transfer of such affairs as investigation, research and planning etc. on reform of civil service personnel system to the office of Secretary, Temporary Civil Service Commission 236,000. yen

Decrease 1947,

Part	Title	Item	Revised estimate 1947 (Decrease)
Administration			
	Cabinet and its subordinate offices		
		Administrative Research Board	236,000 yen

Reconstruction Board

...timate due to transfer of

Part	Title	Item	Revised estimate, 1947 (Increase)
Administration			
	Cabinet and its subordinate offices		
		Price Board	4,157,000 yen

Administrative Research Board

For making unnecessary a part of the fixed estimate due to transfer of such affairs as investigation, research and planning etc. on reform of civil service personnel system to the Office of Secretary, Temporary Civil Service Commission
Decrease 1947, 236,000 yen

Part	Title	Item	Revised estimate 1947 (Decrease)
Administration			
	Cabinet and its subordinate offices		
		Administrative Research Board	236,000 yen

Reconstruction Board

For making unnecessary a part of the fixed estimate due to transfer of all affairs to the Construction Board in consequence of establishment of the Construction Board
Decrease 1947, 231,852,000 yen

Part	Title	Item	Revised estimate, 1947 (Decrease)
Administration			
	Cabinet and its subordinate offices		
		Reconstruction Board	231,852,000 yen

Secretariate of the Prime Minister's Office

(1) For establishing the Central Administrative Inspection Commission and its Secretariate
Supplementary estimate 1947, 363,000 yen

(2) For revising the fixed estimate due to transfer of the subsidy for screening for public position from the Ministry of Home Affairs according to its abolition
Increase 1947, 2,123,000 yen
Total 3,086,000 yen

Part	Title	Item	Supplementary estimate	Revised estimate (Increase)	Balance
Administration					
	Cabinet and its subordinate offices				
		Prime Minister's Office	363,000 yen	2,723,000 yen	3,086,000 yen

Temporary Civil Service Committion

For managing affairs regarding prepare for enforcement of the Civil Service Personnel Law
Estimate 1947 1,726,000 yen

Part	Title	Item	Estimate, 1947
Administration			
	Cabinet and its subordinate offices		
		Civil Service Commission	1,726,000 yen

Local Self-government Committee

(1) For managing affairs under the Law concerning Establishment of the Local Self-government Committee due to enforcement of the said Law.
Estimate 1947, 14,331,000 yen
(2) For subsidizing the expenses for managing miscellaneous affairs regarding the Local Self-Government Committee to local public bodies
Estimate 1947, 84,671,000 yen
Total 99,002,000 yen

Part	Title	Item	Estimate, 1947
Administration			
	Cabinet and its subordinate offices		
		Local Self-Government Committee	14,331,000 yen
Local Finance			
	Subsidy for local public bodies' personnelm		
		Subsidy for local public bodies' personnel	84,671,000 yen
		Total	99,002,000 yen

Public Safety Board

(1) For managing affairs under the Law concerning Establishment of the

(1) For managing affairs under the Law concerning Establishment of the Local Self-government Committee due to enforcement of the said Law.
Estimate 1947, 14,331,000 yen
(2) For subsidizing the expenses for managing miscellaneous affairs regarding the Local Self-Government Committee to local public bodies
Estimate 1947, 84,671,000 yen
Total 99,002,000 yen

Part	Title	Item	Estimate, 1947
Administration			
	Cabinet and its subordinate offices		
		Local Self-Government Committee	14,331,000 yen
Local Finance			
	Subsidy for local public bodies' personnelm		
		Subsidy for local public bodies' personnel	84,671,000 yen
		Total	99,002,000 yen

Public Safety Board

(1) For managing affairs under the Law concerning Establishment of the Public Safety Board
Estimate 1947, 22,353,000 yen
(2) For subsidizing the expenses for managing miscellaneous affairs regarding the Public Safety Board to local public bodies
Estimate 1947, 18,943,000 yen
Total 41,296,000 yen

Part	Title	Item	Estimate, 1947
Administration			
	Cabinet and its subordinate offices		
		Public Safety Board	22,353,000 yen
Local Finance			
	Subsidy for local public bodies' personnel		
		Subsidy for local public bodies' personnel	18,943,000 yen
		Total	41,296,000 yen

Construction Board

(1) (a) For managing affairs under the Law concerning Establishment of the Construction Board due to enforcement of the said Law:
Estimate 1947, 14,354,000 yen

(b) For purchasing house reconstruction materials and managing affairs regarding it
Estimate 1947, 217,815,000 yen

(c) For managing research affairs, etc. of the plan of local development facilities
Estimate 1947, 291,000 yen

(d) For managing accounting affairs under the Finance Law and the Account Law.
Estimate 1947, 144,000 yen

(e) For purchasing imported cars
Estimate 1947, 15,674,000 yen
Total 248,278,000 yen

(2) For managing affairs regarding survey of national land and adjustment of atlas, etc.
Estimate 1947, 9,409,000 yen

(3) For subsidizing the expenses for managing miscellaneous affairs regarding the Construction Board to local public bodies
Estimate 1947, 5,772,000 yen
Total, 1947 263,459,000 yen

Part	Title	Item	Estimate, 1947
Administration			
	Cabinet and its subordinate office,		257,867,000 yen
	Construction Board		248,278,000
	Geographical Investigation Institute		9,409,000
Local Finance			
	Subsidy for local public bodies' personnel		
	Subsidy for local public bodies' personnel		5,772,000 yen

Common Expenses for Administration

of atlas, etc.
Estimate 1947, 9,409,000 yen

(3) For subsidizing the expenses for managing miscellaneous affairs regarding the Construction Board to local public bodies
Estimate 1947, 5,772,000 yen
Total, 1947 263,459,000 yen

Part	Title	Item	Estimate, 1947
Administration			
	Cabinet and its subordinate office		257,867,000 yen
		Construction Board	248,278,000
		Geographical Investigation Institute	9,409,000
Local Finance			
	Subsidy for local public bodies' personnel		
		Subsidy for local public bodies' personnel	5,772,000 yen

Common Expenses for Administration

(1) For repairs, etc. of the Geographical Investigation Institute and its accessary printing [illegible]
Supplementary estimate 1947, 686,000 yen

(2) For betterment of personnel's pay, family allowances, treatment fee for officials and non-tax refunds
Supplementary estimate 1947, 244,389,000 yen
Total 245,075,000 yen

Part	Title	Item	Supplementary estimate, 1947
Common Expenses for Administration			245,075,000 yen
	Constructions and repairs of official buildings		
		Repairs	686,000
	Miscellaneous disbursements		
		Miscellaneous disbursements	244,389,000

	Supplementary estimate	Revised estimate Increase	Decrease	Balance	Total
[illegible], Cabinet	[illegible] yen	yen	yen	yen	yen
Total, Cabinet	650,921,000	6,880,000	232,088,000	-225,208,000	425,713,000

MINISTRY OF HOME AFFAIRS
ESTIMATES OF APPROPRIATIONS

Minister's Secretariate, Ministry of Home Affairs

For making unnecessary a part of the fixed estimate due to abolishing the Ministry of Home Affairs
Decrease 1947, 26,980,000 yen

Part	Title	Item	Revised estimate, 1947 (Decrease)
Administration			
	Ministry proper and its subordinate offices		
		Ministry proper	1,215,000 yen
Local Finance			
	Subsidy for local public bodies' personnel		
		Subsidy for local public bodies' personnel	25,765,000 yen
		Total	26,980,000 yen

Local Affairs Bureau, Ministry of Home Affairs

For making unnecessary a part of the fixed estimate due to abolishing the Ministry of Home Affairs
Decrease 1947, 17,354,000 yen

Part	Title	Item	Revised estimate, 1947 (Decrease)
Administration			
	Ministry proper and its subordinate offices		
		Ministry proper	844,000 yen
Local Finance			
	Subsidy for local public bodies' personnel		
		Subsidy for local public bodies' personnel	16,510,000 yen
		Total	17,354,000 yen

Police Bureau, Ministry of Home Affairs

(1) For making unnecessary a part of the fixed estimate due to abolishing the Ministry of Home Affairs
Decrease 1947, 7,968,000 yen

(2) For including the subsidy for local fire-service in the Treasury's share of local expenses
Decrease 1947, 267,169,000 yen

For making unnecessary a part of the fixed estimate due to abolishing the Ministry of Home Affairs

Decrease 1947, 17,354,000 yen

Part	Title	Item	Revised estimate, 1947 (Decrease)
Administration			
	Ministry proper and its subordinate offices		
		Ministry proper	844,000 yen
Local Finance			
	Subsidy for local public bodies' personnel		
		Subsidy for local public bodies' personnel	16,510,000 yen
		Total	17,354,000 yen

Police Bureau, Ministry of Home Affairs

(1) For making unnecessary a part of the fixed estimate due to abolishing the Ministry of Home Affairs

Decrease 1947, 7,968,000 yen

(2) For including the subsidy for local fire-service in the Treasury's share of local expenses

Decrease 1947, 267,169,000 yen

Part	Title	Item	Revised estimate, 1947 (Decrease)
Administration			
	Ministry proper and its subordinate offices		
		Ministry proper	7,968,000 yen
Justice and Police			
	Fire-service		
		Subsidy for local fire-service	259,201,000 yen
		Total	267,169,000 yen

National Land Bureau, Ministry of Home Affairs

For making unnecessary a part of the fixed estimate due to abolishing the Ministry of Home Affdirs

Decrease 1947, 3,852,000 yen

Part	Title	Item	Revised estimate, 1947 (Decrease)
Administration			
	Ministry proper and its subordinate offices		3,852,000 yen
		Ministry proper	1,493,000
		Geographical Investigation Institute	2,359,000

Investigation Bureau, Ministry of Home Affairs

For making unnecessary a part of the fixed estimate due to abolishing the Ministry of Home Affairs

Part	Title	Item	Revised estimate, 1947 (Decrease)	
Administration				
	Ministry proper and its subordinate offices			
		Ministry proper	3,856,000	yen
Local Finance				
	Subsidy for local public bodies' personnel			
		Subsidy for local public bodies' personnel	11,622,000	yen
	Total		15,478,000	yen

Local Government Offices

For making unnecessary a part of the fixed estimate due to delayed arrangement of local front organizations of employment service and yielded surplus in the expenses for election of member of the House of Representatives and Councillor

Decrease 1947, 26,669,000 yen

Part	Title	Item	Revised estimate, 1947 (Decrease)	
Administration				
	Ministry proper and its subordinate offices			
		Ministry proper	26,669,000	yen

Common Expenses for Administration

For making unnecessary a part of the fixed estimate due to

Total	15,478,000 yen

Local Government Offices

For making unnecessary a part of the fixed estimate due to delayed arrangement of local front organizations of employment service and yielded surplus in the expenses for election of member of the House of Representatives and Councillor

Decrease 1947, 26,669,000 yen

Part	Title	Item	Revised estimate, 1947 (Decrease)
Administration			
	Ministry proper and its subordinate offices		
		Ministry proper	26,669,000 yen

Common Expenses for Administration

For making unnecessary a part of the fixed estimate due to abolishing the Ministry of Home Affairs

Decrease 1947, 64,061,000 yen

Part	Title	Item	Revised estimate, 1947 (Decrease)
Common Expenses for Administration			64,061,000 yen
	Reconstructions and repairs of official buildings		
		Repairs	3,479,000 yen
	Miscellaneous disbursements		
		Miscellaneous disbursements	60,582,000 yen
Total, Ministry of Home Affairs			421,563,000 yen

Public Health Bureau, Ministry of Welfare

For revising the fixed estimate due to transfer of the subsidy for placing the local public bodies' officials necessary for nutritional investigation from the Ministry of Home Affairs according to its abolition.

Increase 1947, 188,000 yen

Part	Title	Item	Revised estimate, 1947 (Increase)
Health and Sanitation			
	Public sanitation		
		Investigation and guidance	188,000 yen

Medical Bureau, Ministry of Welfare

For revising the fixed estimate due to transfer of the subsidy for placing the local public bodies' officials necessary for sanitary administration from the Ministry of Home Affairs according to its abolition.

Increase 1947, 2,287,000 yen

Part	Title	Item	Revised estimate, 1947 (Increase)
Administration			
	Ministry of Welfare		
		Ministry proper	2,287,000 yen

Preventive Bureau, Ministry of Welfare

1. For revising the fixed estimate due to transfer of the subsidy for placing the local public bodies' officials necessary for extermination of rats and insects from the Ministry of Home Affairs according to its abolition.

Increase 1947, 326,000 yen

2. For revising the fixed estimate due to transfer of the subsidy for placing the local public bodies' officials necessary for prevention of tuberculosis from the Ministry of Home Affairs according to its abolition.

Increase 1947, 11,000 yen

Total 337,000 yen

Part	Title	Item	Revised estimate, 1947 (Increase)
Health and Sanitation			337,000 yen

Ministry of Welfare 2,287,000 yen
Ministry proper

Preventive Bureau, Ministry of Welfare

1. For revising the fixed estimate due to transfer of the subsidy for placing the local public bodies' officials necessary for extermination of rats and insects from the Ministry of Home Affairs according to its abolition. 326,000 yen
Increase 1947,

2. For revising the fixed estimate due to transfer of the subsidy for placing the local public bodies' officials necessary to prevention of tuberculosis from the Ministry of Home Affairs according to its abolition. 11,000 yen
Increase 1947,

337,000 yen
Total

Part	Title	Item	Revised estimate, 1947 (Increase)
Health and Sanitation			337,000 yen
	Preventive sanitation		
		Subsidy for prevention of epidemics	326,000
		Subsidy for prevention of tuberculosis	11,000

Social Bureau, Ministry of Welfare

For revising the fixed estimate due to transfer of the subsidy for placing the local public bodies' officials necessary for enforcement of the Protection of Living Law, etc. from the Ministry of Home Affairs according to its abolition. 393,000 yen
Increase 1947,

Part	Title	Item	Revised estimate, 1947 (Increase)
Social Relief and Labour Facilities			393,000 yen
	Relief and protection		
		Protection of living	3,205,000 yen

Total, Ministry of Welfare

MINISTRY OF AGRICULTURE AND FORESTRY
Estimates of Appropriations
Land Reclamation Bureau, Ministry of Agriculture and Forestry

For revising the fixed estimate due to transfer of the subsidy for placing the local public bodies' officials necessary for superintendence of farm works from the Ministry of Home Affairs according to its abolition
Increase 1947, 392,000 yen

Part	Title	Item	Revised estimate, 1947 (Increase)
Local Finance			
	Subsidy for local public bodies' personnel		
		Subsidy for local public bodies' personnel	392,000 yen

MINISTRY OF COMMERCE AND INDUSTRY
Estimates of Appropriations
General Affairs Bureau, Ministry of Commerce and Industry

For revising the fixed estimate due to transfer of the following subsidies from the Ministry of Home Affairs according to its abolition.
Increase 1947, 3,025,000 yen

1. The subsidy for placing the local public bodies' officials necessary for reconstruction and reorganization of enterprises 1,742,000 yen

2. the subsidy for placing the local public bodies' officials necessary for adjustment of demand and supply of commodities 893,000 yen

3. the subsidy for placing the local public bodies' officials necessary for securing special construction materials 390,000 yen

MINISTRY OF COMMERCE AND INDUSTRY
Estimates of Appropriations
General Affairs Bureau, Ministry of Commerce and Industry

For revising the fixed estimate due to transfer of the following subsidies from the Ministry of Home Affairs according to its abolition.
Increase 1947, 3,025,000 yen

1. The subsidy for placing the local public bodies' officials necessary for reconstruction and reorganization of enterprises 1,742,000 yen

2. the subsidy for placing the local public bodies' officials necessary for adjustment of demand and supply of commodities 893,000 yen

3. the subsidy for placing the local public bodies' officials necessary for securing special construction materials 390,000 yen

Part	Title	Item	Revised estimate, 1947 (Increase)
Industries and Economy			3,025,000 yen
	Commerce and industry		
		Conversion and reconstruction of enterprises	1,742,000
		Adjustment of demand and supply of commodities	893,000
		Disposal of business regarding special materials	390,000

Machinery Bureau, Ministry of Commerce and Industry

For revising the fixed estimate due to transfer of the subsidy for placing the local public bodies' officials necessary for regulation of weights and measures from the Ministry of Home Affairs according to its abolition.
Increase 1947, 233,000 yen

Part	Title	Item	Revised estimate, 1947 (Increase)
Administration			
	Ministry of Commerce and Industry and its subordinate offices		
		Ministry proper	233,000 yen

Reparation Executing Bureau, Ministry of Commerce and Industry

For revising the fixed estimate due to transfer of the subsidy for placing the local public bodies' officials necessary for disposal of reparation facilities from the Ministry of Home Affairs according to its abolition.

Increase 1947, 2,049,000 yen

Part	Title	Item	Revised estimate, 1947 (Increase)
Administration			
	Ministry of Commerce and Industry and its subordinate offices		
		Ministry proper	2,049,000 yen
	Total, Ministry of Commerce and Industry		5,307,000 yen

Budget
(Finance)

JR
K

1946-47 Japanese Government Budget.

ESS/FI 20 Feb. 46

2

1. It is noted that the 1946-47 budget estimate of expenditures from the General Account for the Ministry ofJustice is ¥ 31,205,661 or 29% higher than the corresponding total for the fiscal year 1945-46. It is understood, however, that the increase is accounted for mainly by the higher salaries necessitated by current price conditions.

2. Government Section perceives no items in the schedule to which it desires to take exception.

C. W.

P.A.D. COPY

MEMO FOR RECORD: Basic communication is Check Sheet dated 11 February 1946 fr ESS/FI inviting comments / recommendations on the proposed expenditures of the Ministry of Justice from General Account in the budget for the fiscal year 1946-47. JR

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1946-47 Japanese Government Budget.

ESS/FI 20 Feb 46

2

1. It appears from the inclosed schedule that the Japanese Ministry of Home Affairs has made an earnest effort to reduce expenditures for the coming fiscal year.

2. Government Section perceives no items to which it desires to take exception.

C. W.

P.A.D. File

MEMO FOR RECORD:

Basic communication is Check Sheet dated 11 February 1946 from ESS/FI inviting comments or recommendations on the 1946-47 budget estimate of General Account expenditure of the Ministry of Home Affairs.

FR
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1946-47 Japanese Government Budget.

ESS/FI 20 Feb 46

2

Government Section perceives no items in the inclosed 1946-47 budget estimate of expenditures from General Account for the Ministry of Finance to which it desires to take exception.

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

P.A.D. File

MEMO FOR RECORD:

Basic communication is Check Sheet dated 11 February 1946 fr ESS/FI inviting comment/ occommendation on the proposed expenditures of the Ministry of Finance from the General Account of the budget for the fiscal year 1946-47. FR

21 Jan 0900
Budget

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS
Government Section

21 January 1946.

MEMORANDUM TO: CHIEF, PUBLIC ADMINISTRATION BRANCH.

SUBJECT : JAPANESE BUDGET EXPLANATION CONFERENCE.

1. Officers from this Section have been asked to attend conference called by the Finance Division of E. & S. Section for the purpose of listening to explanations of the Japanese Government budget for next fiscal year by representatives of that government.

2. It is recommended that we attend but it should be definitely pointed out that our attendance should in no way be construed as an approval of the budget or any part of it by this Section.

3. It is my belief that there is constant danger in creating an appearance that GHQ is operating the Japanese Government.

Guy J. Swope.

GUY J. SWOPE
Comdr. USNR
Operations Group

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Budget

GENERAL HEADQUARTERS
SUPREME COMMANDER FOR THE ALLIED POWERS

C H E C K S H E E T

FILE:110.01(19 Jan 46)ESS/FI SUBJECT: 1946-47 Japanese Government Budget

Note No.	FROM: ESS/FI	TO: All Staff Sections	DATE: 19 January 1946 WFM/CFT/jrh

On January 25-28, 1946, the Finance Division, ESS, will hold a series of conferences with Japanese Government representatives on the Government Budget for the fiscal year 1946-47. The budget of each Ministry will be taken up separately in accordance with the schedule listed below. Interested staff sections are requested to send representatives to these conferences. All meetings will be held in the conference room on the 6th floor of the Dai Ichi Building, opposite Room 622, except that the conference at 1000 24 January will be held in room 622.

Conference Time	Ministry
1000 24 January (Thursday)	Foreign Affairs ✓
1400 24 January (Thursday)	Home Affairs ✓
1000 25 January (Friday)	Finance +
1400 " " "	Justice
1500 " " "	Transportation
1000 26 January (Saturday)	Education
1400 " " "	Agriculture and Forestry
1000 28 January (Monday)	Commerce and Industry
1400 " " "	Welfare

WFM
W. F. M.

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Japanese Budget Explanation Conferences

E55 Internal Division

Place: C/S Conference Room (except Tuesday 1000, Room 622)

Thurs { 24 Jan. 1000 Foreign affairs - Capt. Rizzo YR
24 Jan 1400 Home affairs - Cmdr. Hussey ARMY
Maj. Tuttle C.G.T.

Fri 25 Jan. 1400 Finance - Cmdr. Sarge DJS
Cmdr. Hussey - ARMY

Notes
ATL

SCHEDULE FOR BUDGET ADVISORY GROUP PROCEEDINGS

25 October 1949

TIME	SECTION	SUBJECT
0900 - 0910	Comptroller	Opening remarks by Brig. Gen. Williams, GSC
0910 - 0915	ESS	Impact on Japanese economy and trends in costs of materials, supplies, wages and allowances effecting the budget
0915 - 1015	8th Army	
1015 - 1030	FEAF	
1030 - 1045 (Recess)		Major Commands Programs Presentations
1045 - 1100	COMNAVFE	
1100 - 1115	Hq & Sv Gp	
1115 - 1125	G-2, JA	Defend Contingencies Appro. Requirements
1125 - 1140	G-3	Defend SFE Appro. Requirements
1140 - 1330 (Recess)		
1330 - 1400	G-1, PH&W, CI&E, NRS	Defend GARIOA Appro. Requirements
1400 - 1415	Adjutant General	Defend AG Appropriation Requirements
1415 - 1445	Ordnance Service	Defend Ord Appro. Requirements
1445 - 1500	Signal Service	Defend Sig Appro. Requirements
1500 - 1510 (Recess)		
1510 - 1530	Engineer Service	Defend Eng Appropriation Requirements
1530 - 1545	Medical Service	Defend Med Appropriation Requirements
1545 - 1600	G-1	Defend Fin Appropriation Requirements
1600 - 1630	Quartermaster Service	Defend QM Appropriation Requirements
1630 - 1700	Transportation Service	Defend Trans Appro. Requirements

26 October 1949

0900 - 0915	Special Services	Defend Sp Serv Appro. Requirements
0915 - 0930	Troop Information & Education	Defend TI&E Appro. Requirements
0930 - 1000	Budget Division	Consolidates Reserve Requirements
1000 - 1005	G-1	General Staff Overall Presentations
1005 - 1010	G-2	
1010 - 1015	G-3	
1015 - 1020	G-4	
1020 - 1040 (Recess)		
1040 - 1200	Budget Advisory Group	Determine Budget Recommendations